REGION 15 EDUCATION SERVICE CENTER

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

REGION 15 EDUCATION SERVICE CENTER

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2023

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CERTIFICATE OF BOARD

Region 15 Education Service Center	Tom Green	226-950
Name of Service Center	County	Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named Service Center were reviewed and (check one) _✓_ approved ____ disapproved for the year ended August 31, 2023, at a meeting of the Board of Directors of such Service Center on the 13th day of December, 2023.

Signature of Board Secretary

Signature of Board President

If the Board of Directors disapproved of the Auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary).

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

Board of Directors
Region 15 Education Service Center
San Angelo, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region 15 Education Service Center (the Center), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Region 15 Education Service Center, as of August 31, 2023, and the respective changes in financial position, and where applicable the cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

GAAP requires that the management's discussion and analysis on pages 4-11, budgetary comparison information on page 47, and the pension and other post-employment benefit (OPEB) related information on pages 48-51 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The other supplementary information comprised of combining statements of revenues, expenditures and changes in fund balance for all special revenue funds and proprietary funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards (SEFA) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information and SEFA are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such other supplementary information and SEFA have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, this other supplementary information and SEFA are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 29, 2023

REGION 15 EDUCATION SERVICE CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Region 15 Education Service Center's (the Center) annual financial report presents our discussion and analysis of the Center's financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with the Center's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Center ended the year, August 31, 2023, with total net position of $17 million, including unrestricted net position of $12.3 million. The balance of cash and investments at August 31, 2023, was $17.6 million.
- During the year, the Center generated $23.8 million in grants, charges, and other revenues for governmental activities. In comparison to the prior year, revenues increased 19.7%, or approximately $3.9 million and expenses increased 16%, or approximately $3 million.
- The general fund reported a fund balance this year of $16.7 million. This was an increase of approximately $2.2 million (15%). The total governmental fund balance for the Center increased approximately $2 million (12.5%).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Center:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Center's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Center's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the Center's Annual Financial Report

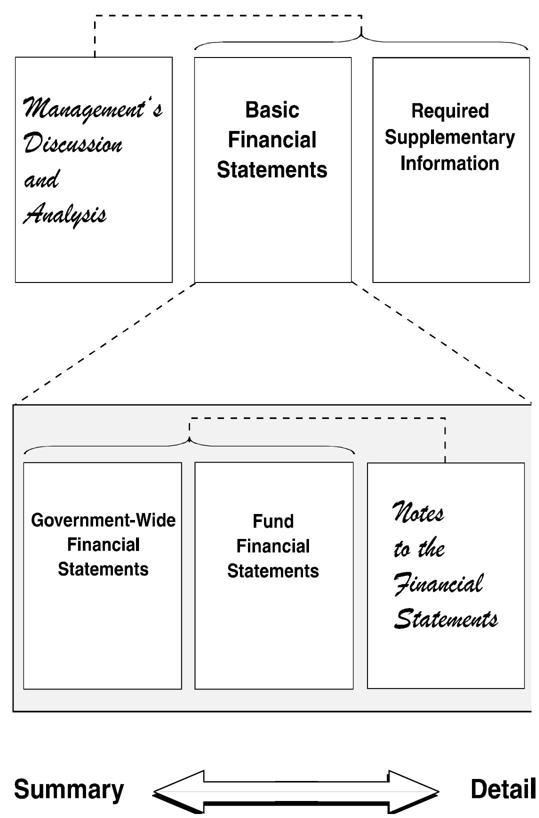


Figure A-2 summarizes the major features of the Center's financial statements, including the portion of the Center's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the Center's Government-wide and Fund Financial Statements

		Fund Statements	
Type of Statements	**Government-wide**	**Governmental Funds**	**Proprietary Funds**
Scope	Entire Center's government (except fiduciary funds) and the Center's component units	The activities of the Center that are not proprietary or fiduciary	Activities the Center operates similar to private businesses: wide area network
Required financial statements	◆ Statement of net position ◆ Statement of activities	◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances	◆ Statement of net position ◆ Statement of revenues, expenses and changes in net position ◆ Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Center as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Center's *net position* and how it has changed. Net position—the difference between the Center's assets and liabilities—is one way to measure the Center's financial health or *position*.

- Over time, increases or decreases in the Center's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the Center, you need to consider additional non-financial factors such as changes in the Center's client base or legislation that affects the Center.

- The Statement of Activities reflects services such as instructional, administrative, data processing, technology, special education, head start, early childhood, and general administration. Charges for services and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Center's most significant *funds*—not the Center as a whole. Funds are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law. The administration establishes other funds to control and manage money for particular purposes or to show that it is properly using certain fees and grants.

The Center has two types of funds:

- *Governmental funds*—Most of the Center's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Center's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

  The Center uses *internal service funds* to report activities that provide supplies and services for the Center's other programs and activities—such as the Center's contracted personnel and other internal services.

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Our analysis focuses on the net position and changes in net position of the Center's governmental activities.

Net position: The Center's *combined* net position increased approximately $1.9 million between fiscal years 2022 and 2023 to approximately $17 million (see Table A-1).

Total assets increased by 11.3%, or about $2.4 million, while total liabilities increased by 17.8%, or about $0.8 million. The majority of this increase in liabilities was attributable to the increase in the pension liability due to the change in actuarial assumptions.

In the following tables, our analysis focuses on the net position (Table A-1) and changes in net position (Table A-4) of the Center's governmental and business-type activities.

Table A-1
Region 15 Education Service Center
NET POSITION
(in thousands of dollars)

	Governmental Activities 2023	Governmental Activities 2022	Total % Change
Assets:			
Current and Other Assets	$ 18,788.5	$ 16,942.0	10.9%
Capital Assets	4,384.4	3,876.2	13.1%
Total Assets	$ 23,172.9	$ 20,818.2	11.3%
Deferred Outflows of Resources			
Deferred Outflows Related to Pension/OPEB Liabilities	$ 2,660.6	$ 2,133.5	24.7%
Total Deferred Outflows of Resources	$ 2,660.6	$ 2,133.5	24.7%
Liabilities:			
Current Liabilities	$ 106.0	$ 130.0	-18.5%
Long Term Liabilities	5,326.9	4,481.8	18.9%
Total Liabilities	$ 5,432.9	$ 4,611.8	17.8%
Deferred Inflows of Resources			
Deferred Inflows Related to Pension/OPEB Liabilities	$ 3,412.0	$ 3,220.5	5.9%
Total Deferred Inflows of Resources	$ 3,412.0	$ 3,220.5	5.9%
Net Position:			
Net Investment in Capital Assets	$ 3,768.5	$ 3,876.3	-2.8%
Restricted	899.2	1,112.1	-19.1%
Unrestricted	12,320.9	10,131.0	21.6%
Total Net Position	$ 16,988.6	$ 15,119.4	12.4%

Capital Assets

The balances of capital assets are listed below and described in detail in the Notes to the Financial Statements.

Table A-2
Region 15 Education Service Center
CAPITAL ASSETS
(in thousands of dollars)

	2023	2022	Total % Change
Land	$ 52.1	$ 52.1	0.0%
Buildings and Improvements	6,897.6	6,897.6	0.0%
Equipment	1,562.8	1,277.5	22.3%
Right of Use Assets, Net	615.9	68.5	
Total Cost	$ 9,128.4	$ 8,295.7	10.0%
Total Accumulated Depreciation	(4,744.0)	(4,419.4)	7.3%
Net Capital Assets	$ 4,384.4	$ 3,876.3	13.1%

Long-Term Liabilities

The only long-term liabilities recognized by the Center are accrued compensated absences and the Center's proportionate share of pension and OPEB liabilities. Those balances are listed below and described in detail in the Notes to the Financial Statements.

Table A-3
Region 15 Education Service Center
LONG-TERM LIABILITIES
(in thousands of dollars)

	2023	2022
Accrued Compensated Absences	$ 725.0	$ 769.0
Lease Liabilities	55.5	76.0
Subscription Liabilities	576.6	
Net Pension Liability	2,045.5	785.6
Net OPEB Liability	1,924.3	2,851.2
Total Long-Term Liabilities	$ 5,326.9	$ 4,481.8

Changes in net position: The Center's total revenues increased 19.7% to $23.8 million (see Table A-4). The majority of the Center's revenues, 67.1%, came from grants while 29.1% related to charges for services. (See Figure A-3).

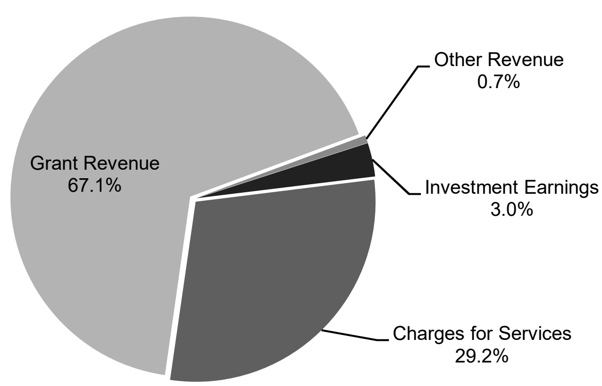
The total cost of all programs and services increased 16% to $21.9 million. The majority of these costs, 79%, were for services related to instruction; curriculum and staff development; and school district administrative support.

- The Center's total expenditures for governmental activities increased approximately $3 million from the prior year.
- The increases in revenue and expenses are largely due to an overall increase in grant funding during the year.

Table A-4
Region 15 Education Service Center
CHANGES IN NET POSITION
(in thousands of dollars)

	Governmental Activities 2023	Governmental Activities 2022	Total % Change
Revenues:			
Program Revenues:			
Charges for Services	$ 6,925.6	$ 6,779.6	2.2%
Operating Grants and Contributions	15,940.5	12,910.3	23.5%
General Revenues:			
Grants and Contributions not Restricted	39.0	18.2	114.3%
Investment Earnings	732.0	94.9	671.3%
Miscellaneous Revenues	120.7	38.6	212.7%
Total Revenue	$ 23,757.8	$ 19,841.6	19.7%
Expenses:			
Instruction	$ 2,696.1	$ 2,396.3	12.5%
Curriculum and Staff Development	9,705.7	8,816.9	10.1%
School Leadership	50.5	45.0	12.2%
Food Services	69.4	54.4	27.6%
General Administration	1,468.1	1,399.6	4.9%
Facilities Maintenance and Operations	622.1	578.7	7.5%
Data Processing Services	1,669.9	1,508.7	10.7%
Community Services	56.3	53.4	5.4%
School District Administrative Support (ESC)	4,882.5	2,996.9	62.9%
Payments Related to Shared Service Arrangements	668.0	1,023.1	-34.7%
Total Expenses	$ 21,888.6	$ 18,873.0	16.0%
Increase (Decrease) in Net Position	$ 1,869.2	$ 968.6	93.0%

Figure A-3 Sources of Revenue For Fiscal Year 2023



FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

As the Center completed the year, the governmental fund balances reported a combined fund balance of $17.6 million, about $2 million more than the prior year. The revenues from governmental fund types totaled $24.2 million, an increase of $3.3 million, or 15.9%, from the preceding year.

Local revenues increased about $880,000, to approximately $7.8 million. This increase was primarily due to increases in services to member districts.

State revenues increased about $670,000, to approximately $4.2 million. This increase was primarily due to receiving more from state funded grants.

Federal revenues increased about $1.8 million, to approximately $12.2 million. This increase was primarily due to increased revenues across all programs.

General Fund Budgetary Highlights

Over the course of the year, the Center amended its budget several times. There were no significant revisions.

After the budget amendments, actual expenditures were approximately $1.7 million, or about 17.8%, below final budget amounts. Revenues available were approximately $290,000, or about 2.9%, above the final budgeted amount.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Region 15 Education Service Center ended the 2022-2023 fiscal year in a healthy financial condition. Closing out the 2022-2023 fiscal year the Center was able to maintain increased services to schools with a continuation of federal funding. To remain competitive in the job market, for the 2022-2023 fiscal year, the Center approved a 4% mid-point increase in salaries for all employees.

For the 2023-2024 fiscal year the Center is continuing our statewide lead role for the Small and Rural School Network grant with increased funding of $1.6 million to provide training and resources for identified Small and Rural schools in Texas to help in the provision of special education for their students. The Center is also continuing with our $2.3 million in funding over 5 years from U.S. Department of Education Mental Health Service Professional Demonstration Grant Program. This grant is a collaborative partnership between the Center and Angelo State University to increase the number of school counselors employed and retained within the region. There will be a specialized focus on rural areas that lack access to mental health services and personnel. For the 2023-2024 fiscal year the Center will be awarded $1 million with another statewide lead role for the Teacher Incentive Allotment and Strategic Compensation grant to support the TIA Rural Cohort. The program is intended to provide professional development and technical assistance to rural districts during the creation and implementation of their Teacher Incentive Allotment local designation plans.

With the 88th Legislative session wrapped up the financial impact to education is still a great concern moving forward for the Region's LEAs along with a shift in focus on closing the performance gaps for students. Now that ESSER II funds have ended and ESSER III will be coming to an end during this next year LEAs foresee financial constraints to return. As the impacts of the American Recovery Plan Act are in effect for 2024 the Center continues to support districts with a variety of timely, economical, and efficient services to help meet their diverse needs. However, the Center will also see ARPA and ESSER funding come to an end, which equates to a manageable reduction in force through attrition and other projects.

The leadership team of the Center maintains a standard that demonstrates and promotes efficient fiscal management in all aspects of the Center's operations. The Center is constantly looking for ways to add value to its services for the region's schools through improved techniques for content delivery, reduced costs, and shared service arrangements. The Center has become more efficient in the use of its resources while continuing to create partnerships with the region's LEA's, the local university, and other vital organizations in the community. Most importantly, the Center strives to be the first-choice partner in meeting the educational needs of all students in Region 15.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, grantors and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Center's Business Office.

FINANCIAL STATEMENTS

REGION 15 EDUCATION SERVICE CENTER

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes		Primary Government Governmental Activities
	ASSETS AND OTHER DEBITS:	
1110	Cash and Temporary Investments	$ 17,615,810
	Receivables:	
1240	Due from Other Governments	982,417
1250	Accrued Interest	70,786
1290	Other Receivables	119,476
	Capital Assets:	
1510	Land	52,129
1520	Buildings, Net	2,921,563
1530	Furniture and Equipment, Net	794,821
1550	Right to Use Lease Assets, Net	45,156
1550	Right to Use Subscription Assets, Net	570,731
1000	Total Assets	$ 23,172,889
	DEFERRED OUTFLOWS OF RESOURCES:	
1705	Deferred Outflows Related to Pension Liability	$ 1,607,781
1706	Deferred Outflows Related to OPEB Liability	1,052,784
	Total Deferred Outflows of Resources	$ 2,660,565
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	$ 22,760
2150	Payroll Deductions Payable	19,863
2160	Accrued Wages Payable	59,722
2300	Unearned Revenue	3,600
	Noncurrent Liabilities:	
2501	Due Within One Year	323,689
2502	Accrued Compensated Absences	725,000
2530	Lease Liabilities	37,174
2530	Subscription Liabilities	271,198
2540	Net Pension Liability	2,045,506
2545	Net OPEB Liability	1,924,375
2000	Total Liabilities	$ 5,432,887
	DEFERRED INFLOWS OF RESOURCES:	
2605	Deferred Inflows Related to Pension Liability	$ 163,113
2606	Deferred Inflows Related to OPEB Liability	3,248,839
	Total Deferred Inflows of Resources	$ 3,411,952
	NET POSITION:	
3200	Net Investment in Capital Assets	$ 3,768,513
3890	Restricted for Other Purposes	899,180
3900	Unrestricted Net Position	12,320,922
3000	Total Net Position	$ 16,988,615

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	Functions	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position 6 Total Governmental Activities
	GOVERNMENTAL ACTIVITIES				
0011	Instruction	$ 2,696,093	$ 644,200	$ 1,840,194	$ (211,699)
0013	Curriculum & Instructional Staff Dev.	9,705,729	2,116,215	7,893,160	303,646
0023	School Leadership	50,498		46,505	(3,993)
0035	Food Services	69,359		66,653	(2,706)
0041	General Administration	1,468,083	828,427	473,856	(165,800)
0051	Facilities Maintenance and Operations	622,085	270,349	261,812	(89,924)
0053	Data Processing Services	1,669,888	1,833,828	653,456	817,396
0061	Community Services	56,305		38,655	(17,650)
0062	School District Administrative Support	4,882,442	1,232,538	3,998,213	348,309
0093	Payments to Fiscal Agents/Members	668,000		668,000	0
TP	Total Primary Government	$ 21,888,482	$ 6,925,557	$ 15,940,504	$ 977,579

Data Control Codes	General Revenues:	
GC	Grants and Contributions Not Restricted	$ 38,984
IE	Investment Earnings	731,965
MI	Miscellaneous Local and Intermediate Revenue	120,710
TR	Total General Revenues	$ 891,659
CN	Change in Net Position	$ 1,869,238
NB	Net Position - Beginning	15,119,377
NE	Net Position - Ending	$ 16,988,615

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		Major Fund 10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS AND OTHER DEBITS:			
1110	Cash and Temporary Investments	$ 15,623,015	$ 899,180	$ 16,522,195
	Receivables:			
1240	Due from Other Governments	50,384	932,033	982,417
1250	Accrued Interest	70,786		70,786
1260	Due from Other Funds	1,006,336		1,006,336
1290	Other Receivables	3,750	115,726	119,476
1000	Total Assets	$ 16,754,271	$ 1,946,939	$ 18,701,210
	LIABILITIES:			
	Current Liabilities:			
2110	Accounts Payable	$ 22,760	$	$ 22,760
2150	Payroll Deductions Payable	19,863		19,863
2160	Accrued Wages Payable	16,133	41,423	57,556
2170	Due to Other Funds		1,006,336	1,006,336
2300	Unearned Revenue	3,600		3,600
2000	Total Liabilities	$ 62,356	$ 1,047,759	$ 1,110,115
	FUND BALANCES:			
	Restricted Fund Balance:			
3490	Other Restricted	$	$ 899,180	$ 899,180
	Committed Fund Balance:			
3510	Construction	2,051,595		2,051,595
3530	Capital Expenditures	4,306,912		4,306,912
3545	Other Committed	9,064,342		9,064,342
3600	Unassigned Fund Balance	1,269,066		1,269,066
3000	Total Fund Balances	$ 16,691,915	$ 899,180	$ 17,591,095
4000	Total Liabilities and Fund Balances	$ 16,754,271	$ 1,946,939	$ 18,701,210

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION AUGUST 31, 2023

Data Control Codes			
	Total Fund Balances - Governmental Funds (Exhibit C-1)	$	17,591,095
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was $8,840,644 and the accumulated depreciation was ($4,460,364). The net effect of including these balances of capital assets (net of depreciation) is to increase net position.		3,239,984
2	The Center uses internal service funds to charge the costs of certain activities to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		1,603,804
3	Accrued compensated absences is long-term in nature and is not recorded in the governmental funds. The recognition of this liability in the government-wide financial statements results in a decrease to net position.		(725,000)
4	The recognition of the Center's proportionate share of the net pension liability and related deferred outflows and inflows required by GASB 68. This amounted to a decrease in net position.		(600,838)
5	The recognition of the Center's proportionate share of the net other post-employment benefit liability and related deferred outflows and inflows required by GASB 75. This amounted to a decrease in net position.		(4,120,430)
19	Total Net Position of Governmental Activities (Exhibit A-1)	$	16,988,615

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		Major Fund 10 General Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:			
5700	Local and Intermediate Sources	$ 6,900,661	$ 916,553	$ 7,817,214
5800	State Program Revenues	2,543,829	1,612,751	4,156,580
5900	Federal Program Revenues	795,334	11,441,360	12,236,694
5020	Total Revenues	$ 10,239,824	$ 13,970,664	$ 24,210,488
	EXPENDITURES:			
0011	Instruction	$ 248,721	$ 2,492,334	$ 2,741,055
0013	Curriculum & Instructional Staff Dev.	2,515,711	7,257,183	9,772,894
0023	School Leadership	5,421	46,553	51,974
0035	Food Services	3,816	66,391	70,207
0041	General Administration	1,468,119	15,770	1,483,889
0051	Facilities Maintenance and Operations	372,072	350,737	722,809
0053	Data Processing Services	1,778,370		1,778,370
0061	Community Services		38,655	38,655
0062	School District Administrative Support	1,673,392	3,244,920	4,918,312
0093	Payments to Fiscal Agents/Members		668,000	668,000
6030	Total Expenditures	$ 8,065,622	$ 14,180,543	$ 22,246,165
1100	Excess of Revenues Over Expenditures	$ 2,174,202	$ (209,879)	$ 1,964,323
	OTHER FINANCING SOURCES:			
8949	Other (Uses)	$	$ (3,025)	$ (3,025)
7080	Total Other Financing Sources	$ 0	$ (3,025)	$ (3,025)
1200	Net Change in Fund Balance	$ 2,174,202	$ (212,904)	$ 1,961,298
0100	September 1 - Fund Balance	14,517,713	1,112,084	15,629,797
3000	August 31 - Fund Balance	$ 16,691,915	$ 899,180	$ 17,591,095

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2023

Net Change in Fund Balances - Total Governmental Funds (Exhibit C-3)	$ 1,961,298
Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period, net of adjustments.	(32,340)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit D-2).	(106,249)
The change in the compensated absences liability during the year results in a decrease in the change to net position.	44,000
The implementation of GASB 68 required the recognition of certain expenditures related to the recognition of the net pension liability. The result of this activity causes a decrease to the change in net position.	(289,186)
The implementation of GASB 75 required the recognition of certain expenditures related to the recognition of the net OPEB liability. The result of this activity causes an increase to the change in net position.	291,715
Change in Net Position of Governmental Activities (Exhibit B-1)	$ 1,869,238

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2023

	Governmental Activities Internal Service Funds
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 1,093,615
Total Current Assets	$ 1,093,615
Noncurrent Assets:	
Furniture and Equipment, Net	$ 528,529
Right to Use Lease Assets, Net	45,156
Right to Use Subscription Assets, Net	570,731
Total Noncurrent Assets	$ 1,144,416
Total Assets	$ 2,238,031
LIABILITIES:	
Current Liabilities:	
Accrued Wages Payable	$ 2,166
Total Current Liabilities	$ 2,166
Noncurrent Liabilities:	
Lease Liabilities	$ 55,487
Subscription Liabilities	576,574
Total Noncurrent Liabilities	$ 632,061
Total Liabilities	$ 634,227
NET POSITION:	
Net Investment in Capital Assets	$ 528,529
Unrestricted Net Position	1,075,275
Total Net Position	$ 1,603,804

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Operating Revenues and Charges to Other Funds	$ 13,426,408
Total Revenues	$ 13,426,408
OPERATING EXPENSES	
Payroll Costs	$ 12,210,650
Professional and Contracted Services	747,930
Supplies and Materials	160,320
Other Operating Expenses	83,801
Depreciation and Amortization	307,050
Total Expenses	$ 13,509,751
Operating Income (Loss)	$ (83,343)
NON-OPERATING REVENUES (EXPENSES)	
Interest Expense	$ (22,906)
Total Non-operating Revenues (Expenses)	$ (22,906)
Change in Net Position	$ (106,249)
Net Position - September 1 (Beginning)	1,710,053
Net Position - August 31 (Ending)	$ 1,603,804

The accompanying notes are an integral part of this statement.

REGION 15 EDUCATION SERVICE CENTER

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Governmental Activities Internal Service Funds
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows From Operating Activities	
Charges to Users and Receipts from Other Funds	$ 13,426,408
Payments to Employees for Services	(12,211,027)
Payments for Contracted Services	(747,930)
Payments to Suppliers	(160,430)
Payments for Other Operating Expenses	(83,801)
Net Cash From Operating Activities	$ 223,220
Cash Flows From Investing Activities	
Capital Expenditures	$ (118,509)
Net Cash From Investing Activities	$ (118,509)
Cash Flows From Financing Activities	
Payments on Lease Liability	$ (21,843)
Payments on Subscription Liabilities	(174,024)
Net Cash From Financing Activities	$ (195,867)
Net Change in Cash	$ (91,156)
Cash and Cash Equivalents at Beginning of the Year	1,184,771
Cash and Cash Equivalents at End of Year	$ 1,093,615
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income (Loss)	$ (83,343)
Change in Accrued Wages Payable	(377)
Change in Accounts Payable	(110)
Depreciation and Amortization	307,050
Net Cash From Operating Activities	$ 223,220

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region 15 Education Service Center (the Center) prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The Center also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Center are described below.

A. REPORTING ENTITY

The Board of Directors, a seven-member group, has governance responsibilities over all activities related to education services within the jurisdiction of the Center. The Board of Directors has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters. The Center is not included in any other governmental "reporting entity" as defined in Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity.

Since the Center received funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the Center. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The Center currently has no business-type activities.

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities on the Statement of Net Position.

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position. All interfund transactions between governmental funds and the internal service fund are eliminated on the government-wide statements.

The Center reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of charges for services. State revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, claims and judgments are recorded only when payment is due.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Center applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses would be non-operating.

GOVERNMENTAL FUND TYPES

The Center reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and undesignated fund balances are considered resources available for current operations.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except in limited circumstances, any unused balances are returned to the grantor at the close of specified project periods. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties primarily inside the Center, specifically for the operation of its building activities, Center-wide labor pool, duplication, and other services.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, vehicles, and work in progress are reported in the government-wide financial statements. Capital assets are defined by the Center as assets with an individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as unearned revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the Center to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the Center's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement or death of certain employees, the Center pays any accrued sick and vacation leave in a lump sum payment. This liability is recorded on the statement of net position.

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the Center as a whole.

In the event that the Center incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FASRG, the Center has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the Center's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the Center's fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

a. Prior to August 20 of the preceding fiscal year, the Center prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.

c. Prior to September 1, the budget is legally enacted by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2023.

F. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the Statement of Cash Flows for proprietary fund types, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

G. FUND EQUITY

The Center has adopted GASB Statement 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Portion of fund balance that is constrained for specific purposes because of restrictions by third parties (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Portion of fund balance that is constrained for specific purposes by the highest level of decision-making authority (Board of Directors). Only this same authority can un-commit funds.

Unassigned – Amounts not included in other spendable classifications.

The Center's Board of Directors has committed $15,422,849 of the General Fund's fund balance for future construction, capital expenditures and other purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Center considers restricted funds to have been spent first. When an expenditure for which committed, assigned, or unassigned fund balances are available, the Center considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

The Center administers the special revenue fund entitled the Chapter 41 WADA Fund. The balances of excess revenues received, including Region 15 Education Service Center's share of wealth equalization agreements, over expenditures incurred related to the consortium is reported as restricted fund balance of $899,180 at August 31, 2023. The Center no longer receives revenue through these wealth equalization agreements.

H. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – this component of net position represents the difference between capital assets less accumulated depreciation.

Restricted for Other Purposes – this component of net position represents amounts restricted for specific purposes. This includes the balance in the Chapter 41 WADA Fund.

Unrestricted – the difference between assets and liabilities that is not reported in Restricted Net Position or Net Investment in Capital Assets.

I. PENSIONS

The fiduciary net position of the Teacher Retirement System (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The fiduciary net position of the TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

K. MANAGEMENT’S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Center to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the Center to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas, (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an “A”, (4) no load money market funds with a weighted average maturity of 90 days or less, (5) fully collateralized repurchase agreements, (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit, (7) secured corporate bonds rated not lower than “AA-“ or the equivalent, (8) public investment pools, and (9) guaranteed investment contracts for bond proceeds investment only, with defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds.

The Act also requires the Center to have independent auditors perform test procedures related to investment practices as provided by the Act. The Center is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the Center has adopted a deposit and investment policy. That policy does not address the following risks:

a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The Center's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The Center is not exposed to custodial credit risk for its deposits and investments in certificates of deposit are all covered by depository insurance and pledged securities held by a third party in the Center’s name.

b. Concentration of Credit Risk – The investment policy of the Center contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2023, the Center had no significant investment balances.

c. Credit Risk – The risk that an issuer of another counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2023, the Center was not significantly exposed to credit risk.

d. Interest Rate Risk – Not applicable.

e. Foreign Currency Risk – Not applicable.

The carrying amount of the Center's cash and temporary investments at August 31, 2023, approximates fair value and consisted of the following shown below:

	Amount	Percent	Maturity in Less than 1 Year	Credit Rating
Cash on Hand	$ 100	0.0%	$ 100	N/A
Cash in Bank	1,074,148	6.1%	1,074,148	N/A
TexPool Investments	4,041,466	22.9%	4,041,466	AAAm
Lone Star Investment Pool	8,893,227	50.5%	8,893,227	AAAm
Texas Term Money Market	519,869	3.0%	519,869	N/A
Texas Term CD Program	3,087,000	17.5%	3,087,000	N/A
	$ 17,615,810	100.0%	$ 17,615,810	

Public Funds Investment Pools

Public Funds Investment Pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) Have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) Maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and, 3) Maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The Center's investment in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

3. PROPERTY TAXES

The Center does not assess or collect property taxes.

4. DUE FROM OTHER GOVERNMENTS

The balance of $982,417 represents amounts due from Texas Education Agency and others for various federal and state projects, as well as member school districts for various charges.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2023, consisted of the following individual fund receivables and payables:

	General Fund	Special Revenue Funds	Total
Due from Other Funds	$ 1,006,336	$	$ 1,006,336
Due to Other Funds	$	$ 1,006,336	$ 1,006,336

6. CAPITAL ASSETS

Capital asset activity, including those used for governmental activities and those used in the internal service fund, for the year ended August 31, 2023, was as follows:

	9/1/2022	Additions	Deletions	Amortization	8/31/2023
Capital Assets:					
Land	$ 52,129	$	$	$	$ 52,129
Building and Improvements	6,897,529				6,897,529
Furniture and Equipment	897,232	266,318	(32,886)		1,130,664
Vehicles	380,317	51,845			432,162
Right to Use Lease Assets, Net	68,469			(23,313)	45,156
Right to Use Subscription Assets, Net		729,027		(158,296)	570,731
	$ 8,295,676	$ 1,047,190	$ (32,886)	$ (181,609)	$ 9,128,371
Accumulated Depreciation					
Buildings and Improvements	$ 3,793,292	$ 182,674	$	$	$ 3,975,966
Furniture and Equipment	556,590	92,903	(32,886)		616,607
Vehicles	69,540	81,858			151,398
	$ 4,419,422	$ 357,435	$ (32,886)	$ 0	$ 4,743,971
Total Net Value of Capital Assets	$ 3,876,254	$ 689,755	$ 0	$ (181,609)	$ 4,384,400

Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	30 years
Furniture and Equipment	5 - 12 years
Vehicles	5 years

Depreciation and amortization expense attributable to fixed assets used for governmental activities was charged to functions of the primary government as follows:

	Depreciation	Amortization
Instruction	$ 29,638	$
Curriculum and Instructional Staff Development	105,671	
General Administration	16,044	
Plan Maintenance and Operations	7,815	
Data Processing Services	19,229	
Community Services	418	
School District Administrative Support Services	53,179	
Internal Service Funds	125,441	181,609
	$ 357,435	$ 181,609

The Center has adopted GASB Statement 87, *Leases* (GASB 87). As a result, the Center shows right to use lease assets for office equipment, including copiers and a postage machine. These leases are accounted for in the Center's internal service funds. The right to use lease asset is included with fixed assets and is being accounted for net of amortization.

The Center has also adopted GASB Statement 96, *Subscription-based Information Technology Arrangements* (GASB 96). As a result, the Center shows right to use subscription assets for a long-term license subscription used by its member school districts. These subscriptions are accounted for in the Center's internal service funds. The right to use subscription asset is included with fixed assets and is being accounted for net of amortization.

7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The financial statements report separate sections for deferred outflows and inflows of resources. Deferred outflows represent an acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred inflows represent an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Inflows and Outflows on the Statement on Net Position consist of the following:

	Deferred Outflows	Deferred Inflows
Pension Related (See Note 11)	$ 1,607,781	$ 163,113
OPEB Related (See Note 12)	1,052,784	3,248,839
Deferred Outflows/Inflows	$ 2,660,565	$ 3,411,952

8. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended August 31, 2023 is as follows:

	Beginning	Additions	Reductions	Ending	Due within One year
Compensated Absences	$ 769,000	$	$ 44,000	$ 725,000	$
Lease Liabilities	75,995		20,508	55,487	18,313
Subscription Liabilities		729,027	152,453	576,574	305,376
	$ 844,995	$ 729,027	$ 216,961	$ 1,357,061	$ 323,689

The Center's long-term liabilities include accrued compensated absences. This balance is accrued from general and special revenue funds' revenues. There is no estimate on how much of this balance will be paid within one year.

The Center has adopted GASB 87. As a result, the Center shows lease liabilities related to the right to use office equipment, including copiers and a postage machine. These leases are accounted for in the Center's internal service funds.

The copier lease originated in September 2021 and has a term of 60 months with an implicit interest rate of 2%. These payments are due in monthly installments of $1,557.

The postage machine lease originated in August 2020 and has a term of 60 months with an implicit interest rate of 2%. These payments are due in monthly installments of $47.

The aggregated scheduled lease payments are as follows:

Fiscal Year Ending August 31,	Principal	Interest	Total
2024	$ 18,313	$ 942	$ 19,255
2025	18,683	573	19,256
2026	18,491	201	18,692
	$ 55,487	$ 1,716	$ 57,203

The Center has also adopted GASB 96. As a result, the Center shows subscription liabilities related to the right to use software. These subscriptions are accounted for in the Center's internal service funds. This subscription originated in October 2022 and has a term of 3 years with an implicit interest rate of 6%. These payments are due in annual installments and are shown below.

Fiscal Year Ending August 31,	Principal	Interest	Total
2024	$ 305,376	$ 34,594	$ 339,970
2025	271,198	16,272	287,470
	$ 576,574	$ 50,866	$ 627,440

9. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Funds	Total
Interest Income	$ 731,965	$	$ 731,965
Charges for Services / Other	6,168,696	916,553	7,085,249
	$ 6,900,661	$ 916,553	$ 7,817,214

10. GENERAL FUND FEDERAL SOURCE REVENUES

Federal revenues recognized in the General Fund consist of $795,334 in indirect cost revenue.

11. DEFINED BENEFIT PENSION PLAN

Plan Description
The Center participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position
Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

The information provided in the Notes to the Financial Statements in the 2022 and 2021 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2022 and 2021:

Net Pension Liability	2022	2021
Total Pension Liability	$ 243,553,045,455	$ 227,273,463,630
Less: Plan Fiduciary Net Position	(184,185,617,196)	(201,807,002,496)
Net Pension Liability	$ 59,367,428,259	$ 25,466,461,134
Net Position as Percentage of Total Pension Liability	75.62%	88.79%

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with five years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with five years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code, Title 8, Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provided gradual contribution increases from the State, participating employers, and active employees for the fiscal years 2019 through 2024.

Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code

825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

The following table shows contribution rates by type of contributor for the fiscal years 2022 and 2023, and the contributions by type reported by TRS which were received by TRS during the measurement year (TRS FY 2022). These are included in the calculation of the Center's proportionate share of the net pension liability.

	Contribution Rates	
	2022	2023
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%

TRS FY 2022 Employer Contributions	$	160,777
TRS FY 2022 Member Contributions		704,115
TRS FY 2022 NECE On-Behalf Contributions		655,777

The actual contributions during the Center's 2023 fiscal year were $175,105 by the employer and $756,067 by employees.

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers, including public schools, are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-education and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025. The surcharge for fiscal year 2023 is 1.8%.
- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions
Roll Forward – The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has the sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted in July 2022.

The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP. The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the TRS actuarial valuation report dated November 12, 2021.

The following table discloses the assumptions that were applied to the measurement period:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-Term Expected Rate	7.00%
Municipal Bond Rate at August 2022	3.91%*
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

* - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

Discount Rate
A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020, gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation % *(b)*	Long-Term Expected Arithmetic Real Rate of Return *(c)*	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity *(a)*	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return *(a)*		3.70%	
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources, and Infrastructure	6.00%	5.10%	0.37%
Commodities		3.60%	
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage Cash			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag *(d)*			-0.91%
Total	100.00%		8.21%

(a) - Absolute Return includes Credit Sensitive Investments
(b) - Target allocations are based on the FY 2022 policy model
(c) - Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)
(d) - The volatility drag results from the conversion between arithmetic and geometric mean returns

Discount Rate Sensitivity Analysis
The following table presents the Net Pension Liability of the plan using the discount rate of 7.00%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Center's Proportionate Share of the Net Pension Liability	$ 3,182,031	$ 2,045,506	$ 1,124,298

Pension Liabilities and Pension Expense
At August 31, 2023, the Center reported a liability of $2,045,506 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the Center. The amount recognized by the Center as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Center were as follows:

Center's Proportionate Share of the Collective Net Pension Liability	$ 2,045,506
State's Proportionate Share that is Associated with the Center	8,343,186
Total	$ 10,388,692

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2021 through August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.003446% which was an increase of 0.000361% from its proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the Center recognized pension expense of $797,514 and revenue of $655,777 for support provided by the State in the government-wide financial statements.

Changes since the Prior Actuarial Valuation
The actuarial assumptions and methods have been modified since the determination of the prior year’s Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%

There were no changes in benefit terms since the prior measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At August 31, 2023, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 29,660	$ 44,596
Changes in Actuarial Assumptions	381,144	94,992
Difference Between Projected and Actual Investment Earnings	202,089	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	819,783	23,525
Contributions Paid to TRS Subsequent to the Measurement Date	175,105	
Total	$ 1,607,781	$ 163,113

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (not including the deferred contribution paid subsequent to the measurement date) will be recognized in pension expense as follows:

	Pension Expense Amount
2024	$ 352,625
2025	283,923
2026	242,646
2027	333,776
2028	56,593
Thereafter	-

12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description
The Center participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2022 and 2021 are as follows:

Net OPEB Liability		2022		2021
Total OPEB Liability	$	27,061,942,520	$	41,113,711,083
Less: Plan Fiduciary Net Position		(3,117,937,218)		(2,539,242,470)
Net OPEB Liability	$	23,944,005,302	$	38,574,468,613
Net Position as Percentage of Total OPEB Liability		11.52%		6.18%

Benefits Provided

TRS-Care provides health insurance coverage to all retirees from public schools and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th Legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at $300,000,000 as of August 31, 2022.

The premium rates for retirees are presented below:

TRS-Care Plan Premium Rates

		Medicare		Non-Medicare
Retiree or Surviving Spouse	$	135	$	200
Retiree and Spouse		529		689
Retiree or Surviving Spouse and Children		468		408
Retiree and Family		1,020		999

Contributions
Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor which were reported for the Center by TRS for the measurement year. These were included in the calculation of the Center’s proportionate share of the net TRS-Care liability.

	Contribution Rates	
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

TRS FY 2022 Employer Contributions	$	66,011
TRS FY 2022 Member Contributions		57,209
TRS FY 2022 NECE On-Behalf Contributions		80,523

The actual contributions during the Center’s 2023 fiscal year were $70,882 by the employer and $61,431 by employees.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS-Care OPEB program). When employers hire a TRS retiree, they are required to pay TRS-Care a monthly surcharge of $535 per retiree.

TRS-Care received a supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray COVID-19 related health care costs during fiscal year 2022.

Actuarial Assumptions
The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

Rates of Mortality	Rates of Disability Incidence
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the morality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

The election rates for normal retirement were 62% participation rate prior to age 65 and 25% participation rate after age 65. For pre-65 retirees were 30% of pre-65 retirees were assumed to discontinue coverage at age 65.

The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability. This was an increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021, using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis
The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% point lower and 1% point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Center's Proportionate Share of the Net OPEB Liability	$ 2,268,991	$ 1,924,375	$ 1,645,192

Healthcare Cost Trend Rates Sensitivity Analysis
The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Center's Proportionate Share of the Net OPEB Liability	$ 1,585,694	$ 1,924,375	$ 2,363,432

OPEB Liabilities and OPEB Expense
At August 31, 2023, the Center reported a liability of $1,924,375 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follows:

Center's Proportionate Share of the Collective Net OPEB Liability	$ 1,924,375
State's Proportionate Share that is Associated with the Center	2,347,435
Total	$ 4,271,810

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net OPEB liability was 0.008037% which was an increase of 0.000646% proportion measured as of August 31, 2021.

For the year ended August 31, 2023, the Center recognized OPEB credit to expense of ($333,120) and revenue of $80,523 for support provided by the State.

Changes Since the Prior Actuarial Valuation
The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability.

There were no changes in benefit terms since the prior measurement date.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs
At August 31, 2023, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	$ 106,988	$ 1,603,177
Changes in Actuarial Assumptions	293,120	1,336,941
Difference Between Projected and Actual Investment Earnings	5,732	
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	576,062	308,721
Contributions Paid to TRS Subsequent to the Measurement Date	70,882	
Total	$ 1,052,784	$ 3,248,839

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in pension expense as follows:

	Pension Expense (Benefit) Amount
2024	$ (440,061)
2025	(440,041)
2026	(358,434)
2027	(247,953)
2028	(318,731)
Thereafter	(461,717)

13. INSURANCE COVERAGE

The Center is a participant in the Texas Association of School Boards (TASB) Workers' Compensation Self-Insurance Fund (the Fund). The associated costs are accounted for in the General Fund and allocated to all funds. The Fund is protected against unanticipated catastrophic loss by stop loss insurance coverage. The Claims Administrator for the pool has estimated the Center's share of unpaid claims as of August 31, 2023, to be immaterial. The Center has not recorded any claims payable at August 31, 2023, related to this liability.

During the year ended August 31, 2023, Region 15 Education Service Center participated in the TRS health insurance plan. The Center contributes a maximum of $500 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. The TRS requires each center to contribute premiums in order to fund administrative costs and health insurance claims.

Payments made on behalf of the Center by the state for Medicare, Part D fringe benefits and salaries amounted to $50,636 and $36,881 for the years ended August 31, 2023 and 2022, respectively.

14. LITIGATION

Management represents there is no litigation pending against the Center which would have a material effect on the financial statements.

15. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

The Center participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

16. SHARED SERVICE ARRANGEMENTS

The Center is the fiscal agent for five Shared Services Arrangements (SSAs) which provide services for various member school districts under federal grants. All services are provided by the fiscal agent. The Center accounts for the SSAs in special revenue funds prescribed by TEA in its FASRG. The Center utilizes the account codes and procedures outlined in the FASRG for SSAs using the applicable model.

A brief description of these models are as follows:

Model #1 – The fiscal agent receives the program funds from the granting agency and retains a portion of the monies for administrative and other services provided by the Center. The remainder of the monies flows to participating member school districts.

Model #2 – The fiscal agent receives the program funds from the granting agency and administers the program. The fiscal agent manages the SSAs financial matters, including budgeting, accounting, auditing and reporting.

Model #3 – Member school districts and/or education service centers agree to combine resources to provide a certain service. The fiscal agent manages the SSAs financial matters, including budgeting, accounting, auditing, and reporting.

Expenditures and other applicable information on the Center's SSAs are noted below:

Program	FASRG Model #	No. of Member Districts	Member Districts	Fiscal Agent	Total
Head Start	1	5	$ 495,290	$ 1,604,530	$ 2,099,820
Title I, Part C Migrant	2	15		82,974	82,974
IDEA, Part B Discretionary	1	4		42,046	42,046
Carl D. Perkins	2	32		218,433	218,433
Effective Advising Planning for New Coaches	2	3		104,762	104,762
Effective Advising Planning for Designated Coaches	2	2		85,714	85,714
Title III, Part A English Language Acquisition and Language Enhancement	2	38		123,978	123,978
ARP Homeless II	2	35		92,552	92,552
Texas Education for Homeless Children & Youth	2	4		47,135	47,135
State Deaf Regional Day School for the Deaf	1	4	172,710		172,710
			$ 668,000	$ 2,402,124	$ 3,070,124

The Center's SSAs noted above are further described below:

Head Start is a federally-funded SSA that provides a comprehensive child development program for qualifying three and four year old children. The SSA also provides a comprehensive child development program for qualifying pregnant women and children birth to three years old.

Title I, Part C – Migrant is a federally-funded SSA that provides migrant children with the opportunity to meet the same challenging state content and performance standards that the state has established for all children.

IDEA, Part B – Discretionary is a federally-funded SSA that provides assistance to ensure that all children with disabilities have available to them a free appropriate public education that emphasizes participation in the least restrictive environment, provision of services designed to meet their unique needs, and preparations for further education, employment, and independent living.

Carl D. Perkins Career and Technology Program is a federally-funded SSA that provides funding for the education of career and technology (vocational) students.

Effective Advising Planning for New Coaches is a federally-funded SSA that is designed to support school districts in the strategic planning of an individual student planning system aligned to the Effective Advising Framework (EAF) with the technical assistance of the EAF Coach located at the ESC. The EAF Planning Coach will receive training and designation throughout the project.

Effective Advising Planning for Designated Coaches is a federally-funded SSA that is designed to support new partner school districts who have not already participated in an EAF Planning grant in the strategic planning of an individual student planning system aligned to the Effective Advising Framework (EAF). Districts will receive technical assistance from a Designated EAF Planning Coach who is located at the ESC. EAF Coaches will continue their training and scale their services to new partner districts.

Title III, Part A – English Language Acquisition and Language Enhancement is a federally-funded SSA that provides training and technical assistance to school districts and charter schools allowing school districts to supplement the state required programs for limited English proficient students.

ARP Homeless II Program is a federally-funded SSA that provides funding to increase LEAs and ESCs capacity to identify, enroll, and provide wraparound services to address the unique needs of homeless children and youth due to the impact of COVID-19 pandemic.

Texas Education for Homeless Children and Youth is a federally-funded SSA to support the purpose of the McKinney-Vento Homeless Education Assistance Act to identify and remove barriers for children and youth experiencing homelessness and ensure that students in these circumstances have equitable access to all available supports and resources to meet the challenging state academic standards established for all students.

State Deaf – Regional Day School for the Deaf is a state-funded SSA that provides funding to school districts allowing school districts to provide staff and activities for the regional day school program for the deaf.

REQUIRED SUPPLEMENTARY INFORMATION

REGION 15 EDUCATION SERVICE CENTER

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Amended	3 Actual	Variance With Final Budget Favorable (Unfavorable)
	REVENUES:				
5700	Local and Intermediate Revenues	$ 5,952,579	$ 6,874,694	$ 6,900,661	$ 25,967
5800	State Program Revenues	2,321,465	2,520,301	2,543,829	23,528
5900	Federal Program Revenues	540,300	554,550	795,334	240,784
5020	Total Revenues	$ 8,814,344	$ 9,949,545	$ 10,239,824	$ 290,279
	EXPENDITURES:				
0011	Instruction	$ 176,407	$ 262,598	$ 248,721	$ 13,877
0013	Curriculum & Instructional Staff Dev.	2,885,946	3,043,127	2,515,711	527,416
0023	School Leadership	4,030	5,477	5,421	56
0035	Food Services	1,800	3,877	3,816	61
0041	General Administration	1,704,024	1,711,393	1,468,119	243,274
0051	Facilities Maintenance and Operations	223,784	389,544	372,072	17,472
0053	Data Processing Services	2,000,405	2,215,806	1,778,370	437,436
0061	Community Services	5	5		5
0062	School District Administrative Support	1,882,738	2,184,144	1,673,392	510,752
6030	Total Expenditures	$ 8,879,139	$ 9,815,971	$ 8,065,622	$ 1,750,349
1100	Excess of Revenues Over Expenditures	$ (64,795)	$ 133,574	$ 2,174,202	$ 2,040,628
1200	Net Change in Fund Balance	$ (64,795)	$ 133,574	$ 2,174,202	$ 2,040,628
0100	September 1 - Fund Balance	14,517,713	14,517,713	14,517,713	0
3000	August 31 - Fund Balance	$ 14,452,918	$ 14,651,287	$ 16,691,915	$ 2,040,628

REGION 15 EDUCATION SERVICE CENTER

Exhibit G-2

SCHEDULES OF THE CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEARS ENDED AUGUST 31

	2023 Plan Yr 2022	2022 Plan Yr 2021	2021 Plan Yr 2020	2020 Plan Yr 2019	2019 Plan Yr 2018	2018 Plan Yr 2017	2017 Plan Yr 2016	2016 Plan Yr 2015	2015 Plan Yr 2014
Center's Proportionate Share of the Net Pension Liability	0.0034455%	0.0030847%	0.0028189%	0.0001983%	0.0003606%	0.0003685%	0.0001848%	0.0001264%	0.0001632%
Center's Proportionate Share of the Net Pension Liability	$ 2,045,506	$ 785,553	$ 1,509,764	$ 103,057	$ 198,472	$ 117,824	$ 69,850	$ 44,681	$ 43,593
State's Proportionate Share of the Net Pension Liability Associated with the Center	8,343,186	3,389,923	7,011,525	6,562,081	7,051,286	4,199,239	5,171,366	5,107,350	4,107,641
Total Net Pension Liability	$ 10,388,692	$ 4,175,476	$ 8,521,289	$ 6,665,138	$ 7,249,758	$ 4,317,063	$ 5,241,216	$ 5,152,031	$ 4,151,234
Center's Covered Payroll	$ 8,801,442	$ 7,699,094	$ 7,320,292	$ 6,775,121	$ 6,519,018	$ 6,347,468	$ 6,390,564	$ 6,310,118	$ 5,723,055
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	23.24%	10.20%	20.62%	1.52%	3.04%	1.86%	1.09%	0.71%	0.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates ending August 31 for each plan year.

Note: In accordance with GASB 68, paragraph 138, only nine years of data are presented this reporting period. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

REGION 15 EDUCATION SERVICE CENTER

Exhibit G-3

SCHEDULES OF CENTER CONTRIBUTIONS
FOR PENSIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEARS ENDED AUGUST 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 175,105	$ 160,777	$ 131,637	$ 6,939	$ 12,147	$ 11,750	$ 9,689	$ 5,873	$ 4,137
Contribution in Relation to the Contractually Required Contribution	(175,105)	(160,777)	(131,637)	(6,939)	(12,147)	(11,750)	(9,689)	(5,873)	(4,137)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Center's Covered Payroll	$ 9,450,832	$ 8,801,442	$ 7,699,094	$ 7,320,292	$ 6,775,121	$ 6,517,905	$ 6,347,468	$ 6,390,564	$ 6,310,118
Contributions as a Percentage of Covered Payroll	1.85%	1.83%	1.71%	0.09%	0.18%	0.18%	0.15%	0.09%	0.07%

Note: Only nine years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

REGION 15 EDUCATION SERVICE CENTER

Exhibit G-4

SCHEDULES OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY TEACHERS RETIREMENT SYSTEM FOR THE YEAR ENDED AUGUST 31

	2023 Plan Yr 2022	2022 Plan Yr 2021	2021 Plan Yr 2020	2020 Plan Yr 2019	2019 Plan Yr 2018	2018 Plan Yr 2017
Center's Proportion of the Net OPEB Liability	0.0080370%	0.0073914%	0.0072233%	0.0073105%	0.0080947%	0.0075384%
Center's Proportionate Share of Net OPEB Liability	$ 1,924,375	$ 2,851,212	$ 2,745,896	$ 3,457,204	$ 4,041,768	$ 3,278,148
State's Proportionate Share of the Net OPEB Liability Associated with the Center	2,347,435	3,819,989	3,689,826	4,593,851	5,909,010	5,280,414
Total	$ 4,271,810	$ 6,671,201	$ 6,435,722	$ 8,051,055	$ 9,950,778	$ 8,558,562
Center's Covered Payroll	$ 8,801,442	$ 7,699,094	$ 7,320,292	$ 6,775,121	$ 6,519,018	$ 6,519,018
Center's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	21.86%	37.03%	37.51%	51.03%	62.00%	50.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%	2.73%	1.37%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule be determined as of the measurement dates ending August 31 for each plan year.

Note: This schedule shows only six years for which this information is available. Additional information will be added until ten years of data are available and reported.

REGION 15 EDUCATION SERVICE CENTER

Exhibit G-5

SCHEDULES OF THE CENTER'S CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFITS TEACHERS RETIREMENT SYSTEM FOR THE YEAR ENDED AUGUST 31

	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	$ 70,882	$ 66,011	$ 57,744	$ 54,902	$ 50,813	$ 55,313
Contribution in Relation to the Contractually Required Contribution	(70,882)	(66,011)	(57,744)	(54,902)	(50,813)	(55,313)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Center's Covered Payroll	$ 9,450,832	$ 8,801,442	$ 7,699,094	$ 7,320,292	$ 6,775,121	$ 6,517,905
Contributions as a Percentage of Covered Payroll	0.75%	0.75%	0.75%	0.75%	0.75%	0.85%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the Center's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Note: This schedule shows only six years for which this information is available. Additional information will be added until ten years of data are available and reported.

REGION 15 EDUCATION SERVICE CENTER

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. NOTES TO SCHEDULES FOR THE TRS PENSION

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of Assumptions

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

B. NOTES TO SCHEDULES FOR THE TRS OPEB PLAN

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of Assumptions

The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased the total OPEB liability.

OTHER SUPPLEMENTARY INFORMATION

EXHIBITS H-1 THROUGH H-4

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-1
(Continued)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		206 TEHCY ESC Capacity Building 84.196A	211 ESEA T-I, Part A Support 84.010A	212 ESEA T-I, Part C Migrant 84.011A	225 IDEA Part B Preschool 84.173A	226 IDEA Part B Discretionary 84.027A	241 Child Nutrition 10.560	244 Career and Technical Education 84.048A	255 ESEA T-II Part A Training 84.367A	263 ESEA T-III, Part A ELA 84.365A	278 ESSER ARP Homeless 84.425W
	ASSETS AND OTHER DEBITS:										
1110	Cash and Temporary Investments	$	$	$	$	$	$	$	$	$	$
1240	Due from Other Governments	704	16,683	1,069	12,152	270,911	61,640	3,348	103,028	5,786	2,479
1290	Other Receivables										
1000	Total Assets	$ 704	$ 16,683	$ 1,069	$ 12,152	$ 270,911	$ 61,640	$ 3,348	$ 103,028	$ 5,786	$ 2,479
	LIABILITIES:										
	Current Liabilities:										
2160	Accrued Wages Payable	$	$ 8,626	$	$	$	$	$	$ 6,653	$	$ 1,296
2170	Due to Other Funds	704	8,057	1,069	12,152	270,911	61,640	3,348	96,375	5,786	1,183
2000	Total Liabilities	$ 704	$ 16,683	$ 1,069	$ 12,152	$ 270,911	$ 61,640	$ 3,348	$ 103,028	$ 5,786	$ 2,479
	FUND BALANCES:										
3000	Total Fund Balances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
4000	Total Liabilities and Fund Balances	$ 704	$ 16,683	$ 1,069	$ 12,152	$ 270,911	$ 61,640	$ 3,348	$ 103,028	$ 5,786	$ 2,479

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-1
(Continued)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		281 ESSER CRRSA Supplemental 84.425D	282 ESSER Accelerated Learning 84.425U	286 SBMH Oasis Mental Health 84.184H	288 CACFP 10.558	289 ESSA Basic Services 84.424A	289 HELP Mental Health 84.148X	289 COVID-1 Public Health Workforce 93.354	294 Early Head Start 93.600	301 SSA-T-III, Part C Migrant 84.011A	315 IDEA Part B Disc - Deaf 84.027A
	ASSETS AND OTHER DEBITS:										
1110	Cash and Temporary Investments	$	$	$	$	$	$	$	$	$	$
1240	Due from Other Governments	113,104	47,612	188	4,469	40,145	331	85,885	128,199	3,599	2,396
1290	Other Receivables										
1000	Total Assets	$ 113,104	$ 47,612	$ 188	$ 4,469	$ 40,145	$ 331	$ 85,885	$ 128,199	$ 3,599	$ 2,396
	LIABILITIES:										
	Current Liabilities:										
2160	Accrued Wages Payable	$	$ 11,116	$	$	$ 3,219	$ 307	$ 872	$	$ 1,817	$
2170	Due to Other Funds	113,104	36,496	188	4,469	36,926	24	85,013	128,199	1,782	2,396
2000	Total Liabilities	$ 113,104	$ 47,612	$ 188	$ 4,469	$ 40,145	$ 331	$ 85,885	$ 128,199	$ 3,599	$ 2,396
	FUND BALANCES:										
3000	Total Fund Balances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
4000	Total Liabilities and Fund Balances	$ 113,104	$ 47,612	$ 188	$ 4,469	$ 40,145	$ 331	$ 85,885	$ 128,199	$ 3,599	$ 2,396

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-1
(Concluded)

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		350 SSA T-III, Part A ELA 84.365A	367 ARP Homeless 84.425W	392 Non-Ed Statewide SSVI	414 Reading Academies	415 ESC Gifted and Talented	416 Early Childhood Intervention	429 Math Academies	435 State Deaf	446 Chapter 41 WADA Fund	Total 2023
	ASSETS AND OTHER DEBITS:										
1110	Cash and Temporary Investments	$	$	$	$	$	$	$	$	$ 899,180	$ 899,180
1240	Due from Other Governments	385	2,309	135	4,050	13,271		2,398	5,757		932,033
1290	Other Receivables						115,726				115,726
1000	Total Assets	$ 385	$ 2,309	$ 135	$ 4,050	$ 13,271	$ 115,726	$ 2,398	$ 5,757	$ 899,180	$ 1,946,939
	LIABILITIES:										
	Current Liabilities:										
2160	Accrued Wages Payable	$	$ 2,099	$	$ 3,585	$	$ 1,833	$	$	$	$ 41,423
2170	Due to Other Funds	385	210	135	465	13,271	113,893	2,398	5,757		1,006,336
2000	Total Liabilities	$ 385	$ 2,309	$ 135	$ 4,050	$ 13,271	$ 115,726	$ 2,398	$ 5,757	$ 0	$ 1,047,759
	FUND BALANCES:										
3000	Total Fund Balances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 899,180	$ 899,180
4000	Total Liabilities and Fund Balances	$ 385	$ 2,309	$ 135	$ 4,050	$ 13,271	$ 115,726	$ 2,398	$ 5,757	$ 899,180	$ 1,946,939

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		206 ESC Capacity Building 84.196A	211 ESEA T-I, Part A Support 84.010A	212 ESEA T-I, Part C Migrant 84.011A	225 IDEA Part B Preschool 84.173A	226 IDEA Part B Discretionary 84.027A	241 Child Nutrition 10.560	244 Career & Technical Education 84.048A	255 ESEA T-II, Part A Training 84.367A	263 ESEA T-III, Part A ELA 84.365A	266 ESSER Tech Assistance 84.425D
	REVENUES										
5700	Local Revenue	$	$	$	$	$	$	$	$	$	$
5800	State Revenue										
5900	Federal Program Revenue	69,539	998,646	132,702	119,304	1,576,474	311,222	102,095	743,709	54,638	32,242
5020	Total Revenues	$ 69,539	$ 998,646	$ 132,702	$ 119,304	$ 1,576,474	$ 311,222	$ 102,095	$ 743,709	$ 54,638	$ 32,242
	EXPENDITURES										
0011	Instruction	$	$	$	$	$ 45,016	$	$	$	$	$
0013	Curriculum & Instructional Staff Dev.	69,539	998,646	132,702	119,304	1,529,558		102,095	40,477	54,638	32,242
0023	School Leadership										
0035	Food Services										
0041	General Administration										
0051	Facilities Maintenance and Operations					1,900			360		
0061	Community Services										
0062	School District Administrative Support						311,222		702,872		
0093	Payments to Fiscal Agents/Members										
6030	Total Expenditures	$ 69,539	$ 998,646	$ 132,702	$ 119,304	$ 1,576,474	$ 311,222	$ 102,095	$ 743,709	$ 54,638	$ 32,242
1100	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	OTHER RESOURCES AND (USES)										
8949	Other (Uses)	$	$	$	$	$	$	$	$	$	$
7080	Total Other Resources and (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
1200	Net Change in Fund Balance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0100	Beginning Fund Balance - September 1, 2022	0	0	0	0	0	0	0	0	0	0
3000	Ending Fund Balance - August 31, 2023	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		278 ESSER ARP Homeless 84.425W	281 ESSER CRRSA Supplemental 84.425D	282 ESSER Accelerated Learning 84.425U	286 SBMH Oasis Mental Health 84.184H	287 Stop School Violence 16.839	288 CACFP 10.558	289 ESSA Basic Services 84.424A	289 HELP Mental Health 84.148X	289 ESSA Basic Services 84.999	289 COVID-19 Health Workforce 93.354
	REVENUES										
5700	Local Revenue	$	$	$	$	$	$	$	$	$	$
5800	State Revenue										
5900	Federal Program Revenue	56,988	628,923	672,953	174,479	201,070	54,846	210,009	465,563	45,180	1,140,828
5020	Total Revenues	$ 56,988	$ 628,923	$ 672,953	$ 174,479	$ 201,070	$ 54,846	$ 210,009	$ 465,563	$ 45,180	$ 1,140,828
	EXPENDITURES										
0011	Instruction	$	$	$	$	$	$	$	$	$	$
0013	Curriculum & Instructional Staff Dev.	56,988	576,614	544,021		174,024		210,009			
0023	School Leadership										
0035	Food Services						54,846				
0041	General Administration										
0051	Facilities Maintenance and Operations										
0061	Community Services										
0062	School District Administrative Support		52,309	128,932	174,479	27,046			465,563	45,180	1,140,828
0093	Payments to Fiscal Agents/Members										
6030	Total Expenditures	$ 56,988	$ 628,923	$ 672,953	$ 174,479	$ 201,070	$ 54,846	$ 210,009	$ 465,563	$ 45,180	$ 1,140,828
1100	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	OTHER RESOURCES AND (USES)										
8949	Other (Uses)	$	$	$	$	$	$	$	$	$	$
7080	Total Other Resources and (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
1200	Net Change in Fund Balance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0100	Beginning Fund Balance - September 1, 2022	0	0	0	0	0	0	0	0	0	0
3000	Ending Fund Balance - August 31, 2023	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		294 Early Head Start 93.600	301 SSA-T-III, Part C Migrant 84.011A	315 IDEA Part B Deaf 84.027A	331 SSA - Career & Technical Basic Grant 84.048A	350 SSA-T-III, Part A ELA 84.365A	367 ARP Homeless 84.425W	379 Texas Education Homeless 84.196A	385 Visually Impaired ESC SSVI	392 Non-Ed Statewide SSVI	405 State Gifted & Talented
	REVENUES										
5700	Local Revenue	$	$	$	$	$	$	$	$	$	$
5800	State Revenue								117,848	3,025	10,200
5900	Federal Program Revenue	2,099,820	82,974	42,046	408,909	123,978	92,552	47,135			
5020	Total Revenues	$ 2,099,820	$ 82,974	$ 42,046	$ 408,909	$ 123,978	$ 92,552	$ 47,135	$ 117,848	$ 3,025	$ 10,200
	EXPENDITURES										
0011	Instruction	$ 817,831	$ 5,605	$ 13,042	$	$	$	$	$ 109,272	$	$
0013	Curriculum & Instructional Staff Dev.	541,629	77,369	29,004	218,433	123,978	87,471	47,135	8,576		10,200
0023	School Leadership	46,553									
0035	Food Services	11,545									
0041	General Administration										
0051	Facilities Maintenance and Operations	143,892					5,081				
0061	Community Services	38,655									
0062	School District Administrative Support	4,425			190,476						
0093	Payments to Fiscal Agents/Members	495,290									
6030	Total Expenditures	$ 2,099,820	$ 82,974	$ 42,046	$ 408,909	$ 123,978	$ 92,552	$ 47,135	$ 117,848	$ 0	$ 10,200
1100	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,025	$ 0
	OTHER RESOURCES AND (USES)										
8949	Other (Uses)	$	$	$	$	$	$	$	$	$ (3,025)	$
7080	Total Other Resources and (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (3,025)	$ 0
1200	Net Change in Fund Balance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0100	Beginning Fund Balance - September 1, 2022	0	0	0	0	0	0	0	0	0	0
3000	Ending Fund Balance - August 31, 2023	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-2
(Concluded)

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes		410 IM Portal ESC Review & Support	414 Reading Academies	415 Texas School Ready	416 Early Childhood Intervention	429 Math Academies	435 State Deaf	446 Chapter 41 WADA Fund	Total 2023
	REVENUES								
5700	Local Revenue	$	$	$	$ 916,073	$ 480	$	$	$ 916,553
5800	State Revenue	1,505	35,572	75,385	466,670	729,836	172,710		1,612,751
5900	Federal Program Revenue				752,536				11,441,360
5020	Total Revenues	$ 1,505	$ 35,572	$ 75,385	$ 2,135,279	$ 730,316	$ 172,710	$ 0	$ 13,970,664
	EXPENDITURES								
0011	Instruction	$	$	$	$ 1,501,568	$	$	$	$ 2,492,334
0013	Curriculum & Instructional Staff Dev.	1,505	35,572	75,385	633,409	726,660			7,257,183
0023	School Leadership								46,553
0035	Food Services								66,391
0041	General Administration							15,770	15,770
0051	Facilities Maintenance and Operations				302	2,068		197,134	350,737
0061	Community Services								38,655
0062	School District Administrative Support					1,588			3,244,920
0093	Payments to Fiscal Agents/Members						172,710		668,000
6030	Total Expenditures	$ 1,505	$ 35,572	$ 75,385	$ 2,135,279	$ 730,316	$ 172,710	$ 212,904	$ 14,180,543
1100	EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (212,904)	$ (209,879)
	OTHER RESOURCES AND (USES)								
8949	Other (Uses)	$	$	$	$	$	$	$	$ (3,025)
7080	Total Other Resources and (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (3,025)
1200	Net Change in Fund Balance	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ (212,904)	$ (212,904)
0100	Beginning Fund Balance - September 1, 2022	0	0	0	0	0	0	1,112,084	1,112,084
3000	Ending Fund Balance - August 31, 2023	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 899,180	$ 899,180

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-3

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2023

	Proprietary Fund Type					
	Internal Service Funds					
	750 Building Operations	751 Fleet Vehicles	752 Print Shop	754 NetXV Local	770 Data Services	Totals
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	$	$ 379,071	$ 384,023	$ 41,469	$ 289,052	$ 1,093,615
Total Current Assets	$ 0	$ 379,071	$ 384,023	$ 41,469	$ 289,052	$ 1,093,615
Noncurrent Assets:						
Furniture and Equipment, Net	$ 203,484	$ 280,764	$	$ 44,281	$	$ 528,529
Right to Use Lease Assets, Net			45,156			45,156
Right to Use Subscription Assets, Net					570,731	570,731
Total Noncurrent Assets	$ 203,484	$ 280,764	$ 45,156	$ 44,281	$ 570,731	$ 1,144,416
Total Assets	$ 203,484	$ 659,835	$ 429,179	$ 85,750	$ 859,783	$ 2,238,031
LIABILITIES:						
Current Liabilities						
Accrued Wages Payable	$ 1,336	$	$	$ 830	$	$ 2,166
Due from (to) Other Funds	77,012		(77,012)			
Total Current Liabilities	$ 78,348	$ 0	$ (77,012)	$ 830	$ 0	$ 2,166
Noncurrent Liabilities:						
Lease Liabilities	$	$	$ 55,487	$	$	$ 55,487
Subscription Liabilities					576,574	576,574
Total Noncurrent Liabilities	$ 0	$ 0	$ 55,487	$ 0	$ 576,574	$ 632,061
Total Liabilities	$ 78,348	$ 0	$ (21,525)	$ 830	$ 576,574	$ 634,227
NET POSITION:						
Net Investment in Capital Assets	$ 203,484	$ 280,764	$	$ 44,281	$	$ 528,529
Unrestricted Net Position (Deficit)	(78,348)	379,071	450,704	40,639	283,209	1,075,275
Total Net Position	$ 125,136	$ 659,835	$ 450,704	$ 84,920	$ 283,209	$ 1,603,804

REGION 15 EDUCATION SERVICE CENTER

Exhibit H-4

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS FOR THE YEAR ENDED AUGUST 31, 2023

	Proprietary Fund Type						
	Internal Service Funds						
	750 Building Operations	751 Fleet Vehicles	752 Print Shop	754 NetXV Local	770 Data Services	771 Personnel	Totals
REVENUES							
Operating Revenues and Charges for Services	$ 328,906	$ 169,510	$ 206,589	$ 270,872	$ 239,881	$ 12,210,650	$ 13,426,408
OPERATING EXPENSES							
Payroll Costs	$	$	$	$	$	$ 12,210,650	$ 12,210,650
Professional and Contracted Services	364,000	47,362	106,846	178,318	51,404		747,930
Supplies and Materials	34,719	40,843	18,679	66,079			160,320
Other Operating Expense	81,251	645		1,905			83,801
Depreciation and Amortization	36,600	81,858	23,313	6,984	158,295		307,050
Total Operating Expenses	$ 516,570	$ 170,708	$ 148,838	$ 253,286	$ 209,699	$ 12,210,650	$ 13,509,751
Operating Income	$ (187,664)	$ (1,198)	$ 57,751	$ 17,586	$ 30,182	$ 0	$ (83,343)
NON-OPERATING REVENUES (EXPENSES)							
Interest Expense	$	$	$ (1,335)	$	$ (21,571)	$	$ (22,906)
Total Non-operating Revenues (Expenses)	$ 0	$ 0	$ (1,335)	$ 0	$ (21,571)	$ 0	$ (22,906)
Change in Net Position	$ (187,664)	$ (1,198)	$ 56,416	$ 17,586	$ 8,611	$ 0	$ (106,249)
Beginning Net Position - September 1, 2022	312,800	661,033	394,288	67,334	274,598		1,710,053
Ending Net Position - August 31, 2023	$ 125,136	$ 659,835	$ 450,704	$ 84,920	$ 283,209	$ 0	$ 1,603,804

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Region 15 Education Service Center
San Angelo, Texas

We have audited, in accordance with the auditing standards generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region 15 Education Service Center (the Center) as of and for the year ended August 31, 2023, and related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated November 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 29, 2023

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE: (806) 747-3806
FAX: (806) 747-3815
8215 NASHVILLE AVENUE
LUBBOCK, TEXAS 79423-1954

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Directors
Region 15 Education Service Center
San Angelo, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Region 15 Education Service Center's (the Center's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended August 31, 2023. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained *in Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of compliance section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

November 29, 2023

FEDERAL FINANCIAL ASSISTANCE SECTION

REGION 15 EDUCATION SERVICE CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

A. Section I - Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued	**Unmodified**	
Internal control over financial reporting		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X none reported
Noncompliance material to financial statements noted?	____ yes	X no

2. Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X none reported
Type of auditor's report issued on compliance for major programs	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425D	***COVID-19*** **Elementary and Secondary School Emergency Relief (ESSER)**
84.425U	***COVID-19*** **Elementary and Secondary School Emergency Relief (ARP ESSER)**
84.425W	***COVID-19*** **Homeless Children and Youth (ARP ESSER)**
84.027A	**IDEA, Part B Formula -** ***Special Education Cluster***
84.173A	**IDEA, Part B Preschool -** ***Special Education Cluster***
84.367A	**Supporting Effective Instruction State Grants**

Dollar threshold used to distinguish between type A and type B programs:	$ **750,000**	
Auditee qualified as low-risk auditee?	X yes	____ no

B. Section II - Findings Related to the Financial Statements

None Noted

C. Section III - Findings and Questioned Costs Related to the Federal Awards

None Noted

REGION 15 EDUCATION SERVICE CENTER

SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2023

Prior Year's Finding/Noncompliance

N/A

Status of Prior Year's Findings/Noncompliance

N/A

REGION 15 EDUCATION SERVICE CENTER

Exhibit K-1
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass-through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Passed Through Texas Education Agency				
ESEA Title I, Part A - ESC Texas Instructional Leadership (TIL) (211)	84.010A	226101507110015		$ 164,858
ESEA Title I, Part A - ESC ESSA Basic Services (211)	84.010A	236101197110015		67,773
ESEA Title I, Part A - ESC School Improvement Facilitation (211)	84.010A	226101547110015		69,181
ESEA Title I, Part A - ESC School Improvement Facilitation (211)	84.010A	236101547110015		762,578
ESEA Title I, Part A - Tx Instructional Leader Expansion (211)	84.010A	236101457110015		12,550
Total ALN 84.010A				$ 1,076,940
ESC ESSA Basic Services Initiative (212)	84.011A	236150027110015		$ 143,106
SSA - ESEA Title I, Part C - Migratory Children (301)	84.011A	22615001226950		5,418
SSA - ESEA Title I, Part C - Migratory Children (301)	84.011A	23615001226950		84,061
Total ALN 84.011A				$ 232,585
Career and Technical - ESC CTE Admin (244)	84.048A	234200107110015	$	$ 50,000
Career and Technical - ESC CTE Leadership (244)	84.048A	234200097110015		58,517
SSA - Perkins V: Strengthening CTE for 21st Century (331)	84.048A	23420006226950	35,299	229,355
SSA - Effective Advising Planning for New Coaches (331)	84.048A	234200297110001	60,000	110,000
SSA - EAF Planning Year Grant for Designated Coaches (331)	84.048A	234200317110002	40,000	90,000
Total ALN 84.048A			$ 135,299	$ 537,872
Title II - ESC ESSA Basic Services (255)	84.367A	236945747110015		$ 25,000
Texas Strategic Staffing ESC Expansion Grant (255)	84.367A	226945307110011		48,113
Title II, Part A - Instructional Leadership Expansion (255)	84.367A	226945737110015		18,650
ESC Equity Plan Support (255)	84.367A	236945647110015		8,505
Strategic Compensation Fellowship and Grant (Cohort 1) (255)	84.367A	236945827110004		18,382
TIA & Strategic Compensation (255)	84.367A	226945847110001		623,485
Strategic Compensation Fellowship and Grant (255)	84.367A	226945827110003		56,383
Total ALN 84.367A				$ 798,518
Title III, Part A - ESC Basic Services Grant (263)	84.365A	236710027110015		$ 28,922
Title III, Part A - Enhancing Program Implementation (263)	84.365A	236710157110015		30,000
SSA - English Language Acquisition Grants Title III ELA (350)	84.365A	23671001226950		133,698
Total ALN 84.365A				$ 192,620
Title IV, Part A - Mental Behavior Health (289)	84.424A	226801117110015		$ 76,049
Title IV, Part A - ESSA Basic Services (289)	84.424A	236801057110015		106,213
Title IV, Part A - Mental Behavior Health (289)	84.424A	236801117110015		44,211
Total ALN 84.424A				$ 226,473
COVID 19 , ESSER THL ESC Plan & Implementation - (266)	84.425D	205210177110015		$ 27,710
COVID-19 , ESC THL Dedicated Staff - ESSER II (281)	84.425D	215210407110015		621,820
COVID-19 , ESC ESSER II Tech Assist (281)	84.425D	215210467110015		56,411
COVID-19 , ESSER III ESC Texas Tutoring Support (282)	84.425U	215280277110015		291,922
COVID-19 , ESC Op. Support Accel Learning (282)	84.425U	215280417110015		209,694
COVID-19 , ESC ESSER III Tech Assist (282)	84.425U	215280457110015		132,540
COVID-19 , Texas Strategic Leadership ESC Pilot Certification (282)	84.425U	215280847110009		91,557
COVID-19 , ARP Homeless I - ESC Capacity (278)	84.425W	215330037110015		39,716
COVID-19 , ARP Homeless I - TEHCY Supplemental (278)	84.425W	215330017110090		21,740
COVID-19 , ARP Homeless II (367)	84.425W	21533002226950		99,808
Total ALN 84.425 - *COVID-19*				$ 1,592,918
ESC Capacity Building Grant (206)	84.196A	234600087110015		$ 74,991
Texas Education for Homeless Children & Youth (379)	84.196A	234600057110090		50,830
Total ALN 84.196A				$ 125,821
Title I, Basic Services Initiative (289)	84.999	236000117110015		$ 48,722
Total Passed Through Texas Education Agency				$ 4,832,469

REGION 15 EDUCATION SERVICE CENTER

Exhibit K-1 (Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass-through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
Passed Through Texas Health and Human Services Commission				
Special Education for Infants & Families with Disabilities (416)	84.181A	HHS000640200015		$ 528,238
Total Passed Through Texas Health and Human Services Commission				$ 528,238
Passed Through Region 10 ESC				
COVID-19 ESSER THL Operational Support (266)	84.425D	S425D200042		$ 7,060
Total Passed Through Region 10 ESC				$ 7,060
Direct Awards				
SBMH OASIS Mental Health (286)	84.184H	S184H220059-22A	$ 150,000	$ 178,358
HELP Rural West Tx Mental Health Educational Leadership (289)	84.184X	S184X190035	$ 275,000	$ 479,660
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 560,299	$ 6,025,785
U.S DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Texas Education Agency				
COVID-19 , Public Health Workforce Supplemental (289)	93.354	223934017110015	$ 1,027,772	$ 1,230,269
Total Passed Through Texas Education Agency			$ 1,027,772	$ 1,230,269
Passed Through Texas Health and Human Services Commission				
Every Student Succeeds Act/Preschool Development Grants (416)	93.434	HHS000640200015		$ 75,492
Passed Through Region 14 Education Service Center				
SSA - Head Start (294)	93.600	06CH012174-01-00	$ 537,866	$ 1,669,726
SSA - Head Start (294)	93.600	06CH012174-02-00	39,055	493,565
Total ALN 93.600			$ 576,921	$ 2,163,291
Total Passed Through Region 14 Education Service Center			$ 576,921	$ 2,163,291
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			$ 1,604,693	$ 3,469,052
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Texas Department of Agriculture				
Child Nutrition (21-22) (241)	10.560	NT4XL1YGLGC5		$ 31,025
Child Nutrition (22-23) (241)	10.560	NT4XL1YGLGC5		304,597
Total ALN 10.560				$ 335,622
EHS CACFP (288)	10.558	NT4XL1YGLGC5		$ 59,139
Total Passed Through Texas Department of Agriculture				$ 394,761
TOTAL U.S. DEPARTMENT OF AGRICULTURE				$ 394,761
U.S. DEPARTMENT OF JUSTICE				
Direct Awards				
Stop School Violence (287)	16.839	15PBJA22GG04690STOP		$ 16,097
Stop School Violence (287)	16.839	2020-YS-BX-0101		188,568
Total ALN 16.839				$ 204,665
TOTAL U.S. DEPARTMENT OF JUSTICE				$ 204,665

REGION 15 EDUCATION SERVICE CENTER

Exhibit K-1
(Concluded)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass-through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through To Subrecipients	Federal Expenditures
CLUSTER PROGRAMS				
Special Education Cluster (IDEA)				
U.S. Department of Education Passed Through Texas Education Agency				
IDEA, Part B - (22-23) Network 8: Small And Rural Schools (226)	84.027A	236600537110001	$	$ 1,189,886
IDEA, Part B - Sensory Improvement (226)	84.027A	236600227110015		50,348
IDEA, Part B - ESC Special Education Liaisons (226)	84.027A	236600657110015		303,818
IDEA, Part B - Leadership (226)	84.027A	236600587110015		71,395
IDEA, Part B - RDSPD Fiscal Agents (226)	84.027A	236600887110003		84,619
SSA - IDEA, Part B - Discretionary Deaf (315)	84.027A	226600112269506673		504
SSA - IDEA, Part B - Discretionary Deaf (315)	84.027A	236600112269506673	17,790	44,838
IDEA, Part B - Preschool ESCS (225)	84.173A	236610227110015		128,658
Total IDEA, Part B Passed Through Texas Education Agency			$ 17,790	$ 1,874,066
U.S. Department of Education Passed Through Texas Health and Human Services Commission				
IDEA, Part B - Discretionary (416)	84.027A	HHS000640200015		$ 32,040
Total Special Education Cluster (IDEA)			$ 17,790	$ 1,906,106
TANF Cluster				
U.S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission				
Temporary Assistance for Needy Families (416)	93.558	HHS000640200015		$ 140,167
Total TANF Cluster				$ 140,167
Medicaid Cluster				
U.S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission				
Medicaid Administrative Claiming Program (416)	93.778	HHS000897400001		$ 96,159
Total Medicaid Cluster				$ 96,159
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,182,782	$ 12,236,695

REGION 15 EDUCATION SERVICE CENTER

NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED AUGUST 31, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Region 15 Education Service Center under programs of the federal government for the year ended August 31, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Summary of Significant Accounting Policies

(A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(B) Region 15 Education Service Center has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.