Annual Comprehensive

Financial Report

Region 10 ESC

Region 10 Education Service Center
Richardson, Texas

Fiscal Year Ended
August 31, 2022

EDUCATION SERVICE CENTER REGION 10

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

AUGUST 31, 2022

Prepared By
Financial Services

Education Service Center Region 10
400 East Spring Valley Road
Richardson, Texas 75081

EDUCATION SERVICE CENTER REGION 10
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2022

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FOR THE FISCAL YEAR

ENDED AUGUST 31, 2022

CERTIFICATE OF BOARD

Education Service Center Region 10	Dallas	057-950
Name of Service Center	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual comprehensive financial report of Education Service Center Region 10 was reviewed and (check one) ✓ approved _______ disapproved for the year ended August 31, 2022, at a meeting of the Board of Directors of Education Service Center Region 10 on the 16th day of December 2022.

Signature of Board Secretary

Signature of Board President

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

EDUCATION SERVICE CENTER REGION 10
PRINCIPAL OFFICERS – BOARD OF DIRECTORS
FOR THE YEAR ENDED AUGUST 31, 2022

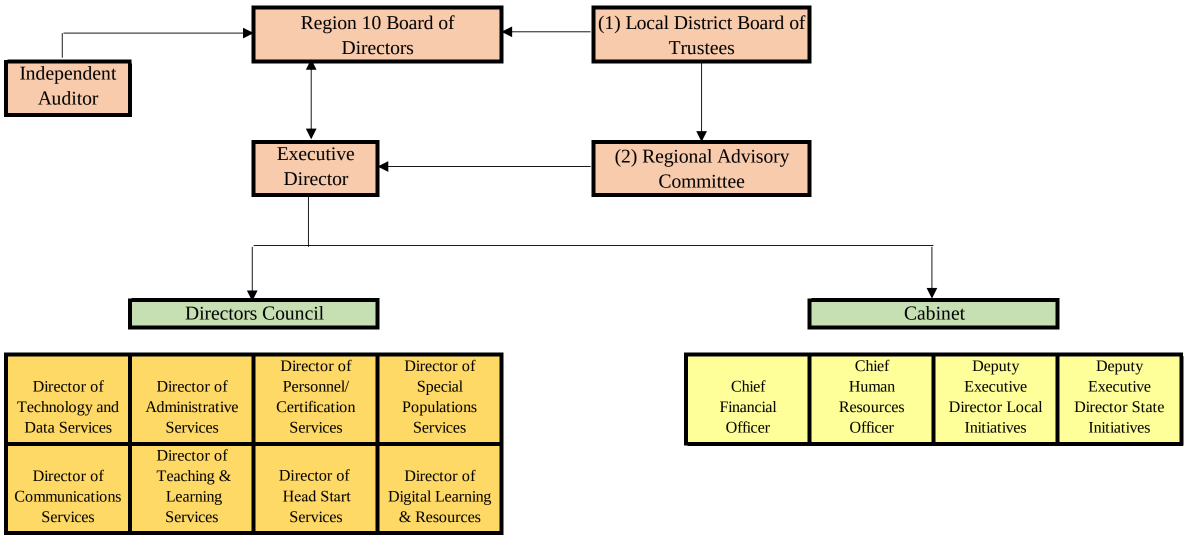
Board of Directors:

Mr. Steve Overton, Chairman
Mrs. Elvia Flores, Vice Chairman
Mr. Early B. Milstead, Secretary
Dr. Bruce Wood
Dr. David Foerch
Mr. Charles Williams
Dr. Debra Crosby
Mr. Brent Beckert

Executive Director:

Dr. Gordon Taylor

EDUCATION SERVICE CENTER REGION 10
ORGANIZATIONAL CHART



(1) Members of local boards of trustees elect Region 10 Board of Directors, approve district participation in programs, and advise the regional board regarding effectiveness of center management and services.

(2) Each local board of trustees appoints a representative to the Regional Advisory Committee.

December 16, 2022

Board of Directors
Education Service Center Region 10
400 E. Spring Valley Road
Richardson, TX 75081-5101

Dear Board Members, Citizens and Other Stakeholders:

The enclosed documents represent the Annual Comprehensive Financial Report (ACFR) of the Education Service Center Region 10 (ESC, the Center or Region 10) for the fiscal year ending August 31, 2022. This report was prepared by Financial Services. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Executive Director and the Chief Financial Officer.

The data presented in this report is accurate in all material respects and is presented in a manner designed to fairly describe the financial position and condition of the various funds and account groups of the Center. All disclosures necessary to enable the reader to gain an understanding of the Center's activities have been included. Further discussion of the Center's financial position is contained in the Management's Discussion and Analysis section of this ACFR.

Report Format

The ACFR is presented in four major sections:

1. The introductory section, which is unaudited, includes this letter of transmittal, a list of the Center's principal officials, Certificate of the Board and an organizational chart.
2. The financial section includes the independent auditor's report on the financial statements, management's discussion and analysis, the basic financial statements, and required supplementary information.
3. The unaudited statistical section includes selected financial and demographic information presented on a multi-year basis.
4. The federal award section includes the schedule of expenditures of federal awards and notes to the federal awards.

The Reporting Entity and Purposes

The Center is a political subdivision of the State of Texas, which was established by the Texas Legislature under §TEC 8.001, along with nineteen other education service centers across Texas. Chapter 8 of the Texas Education Code, as enacted by the 74^{th} Texas Legislature in 1995 and amended by the 75^{th}, $76^{th,}$ and 78^{th} thru 86^{th} Texas Legislatures, also specifies the following purposes for all education service centers:

Regional Education Service Centers shall:

- **Assist school districts in improving student performance in each region of the system;**
- **Enable school districts to operate more efficiently and economically; and**
- **Implement initiatives assigned by the legislature or the commissioner.**

The Center, like all other ESCs, does not possess tax levying or bonding authority. Instead, the ESCs rely on legislative appropriations, local fees for services, federal/state grants, and contracts for funding. The Center generated approximately one-fifth of its funding through local fees from schools for products and services (this number is usually around one-third but due to the amount of Covid related Federal Education Stabilization Funds, it is currently lower). In keeping with its mandates to assist districts to operate with economy and efficiency, the Center provides high quality, competitively priced services that are readily available at accessible rates to client districts and other patrons. The Center primarily serves public independent school districts and charter schools. Other clients may include private and parochial schools, governmental agencies, non-profit organizations, and professional associations. The products and services of the Center are client-driven in nature, allowing a rapid turn-around in delivery based upon client needs, timing and the availability of financial resources.

Mission Statement

In February 2016, the Center's Strategic Planning Steering Committee developed the following motto and mission statement for the Center:

Motto:
Students | Services | Solutions

The mission of Education Service Center Region 10 is to be a trusted, student-focused partner that serves the learning community through responsive, innovative educational solutions.

ESC Beliefs

The administration and staff of the Center firmly believe that:

1. Student success is our primary goal.
2. Every student deserves a quality education.
3. Service is based on trust and relationships.
4. We can impact positive change.
5. We must take risks to transform schools.
6. We must be leaders for best practice, innovation, and lifelong learning.
7. People matter.

ESC Parameters

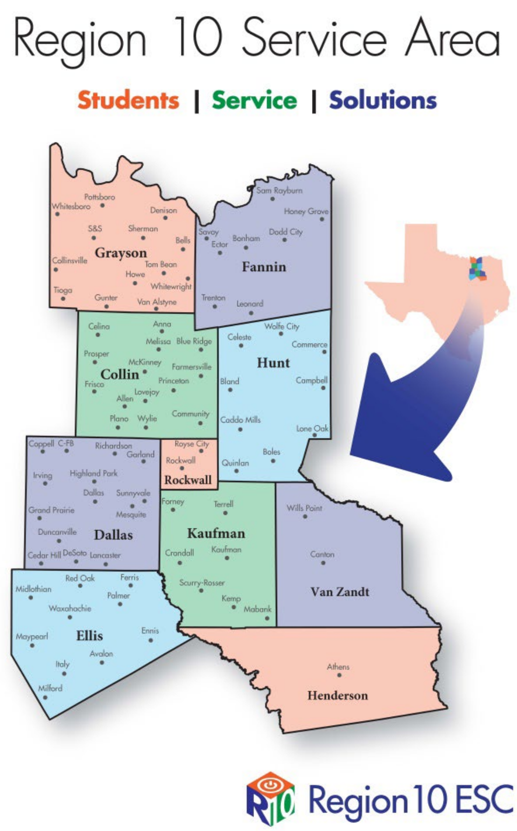
1. We will put the needs of our students and districts first.
2. We will always ensure policies and practices support student, teacher and organizational success.
3. We will always give voice to our stakeholders in the design and implementation of initiatives.
4. We will respect and encourage others through our words, actions, and work.
5. We will ensure that all employees share in the beliefs of the Center.
6. We will view excellence and expertise as our standard performance measures.
7. We will positively embrace innovation and adapt to our ever-changing world.

Strategic Plan Objectives

1. Relevant, Innovative Programs and Services
2. Employee Support, Development and Service Delivery
3. Addressing Underperforming Students and Institutions
4. Developing and Sustaining a Collaborative Organizational Culture
5. Enhancing Long-term Financial Viability
6. Facilities Design in the Era of Digital Professional Development Delivery

ESC History

In 1967, the Texas Legislature directed that the State Board of Education provide, by rules and regulations, for the establishment and operation of regional education service centers. Twenty regional service centers provide services to school districts. The centers are service organizations, not regulatory arms of the Texas Education Agency, and participation by schools in services of the centers is voluntary. As such, each center, including ESC Region 10, has independently developed services reflective of the unique qualities and concerns of its region in addition to providing State identified core services, which meet regional and district specific client needs. ESC Region 10, along with its companion ESCs, is proud to be serving the students, educators and schools of Texas for its 55th consecutive year.



Governance

The Center is governed by a lay board, which is elected by the trustees of the 81 public independent school districts. Additionally, an ad hoc, Commissioner-appointed, non-voting member meets with the Board to represent the interests of charter schools. The Center's Board of Directors approves policies regarding center management and operations, programs and services to be offered, and use of financial resources. Also, the Board is empowered to employ and dismiss an executive director subject to the approval of the Commissioner of Education. The Commissioner has broad responsibility and authority concerning the number and location of centers, regional boundaries, and the allocation of state and federal funds among centers. Three Board members represent Dallas County Schools; one Board member each represents Fannin/Hunt Counties, Collin/Rockwall Counties, Kaufman/Ellis/Van Zandt Counties and Grayson County. An appointed, non-voting Board member voices the interests of charter schools.

Service Area/Population Served

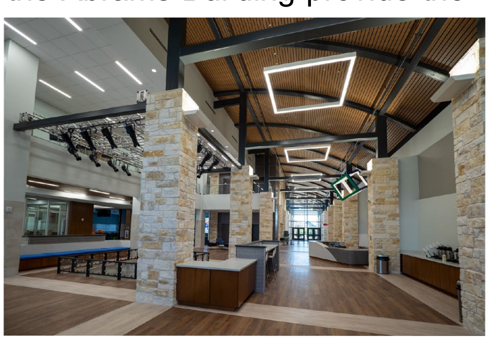
The Center serves an eight-plus county area in north central Texas, comprised of Collin, Dallas, Ellis, Fannin, Grayson, Hunt, Kaufman, Rockwall, and part of Van Zandt and Henderson counties. As the second largest ESC in Texas, the Center serves 81 school districts and 35 charter schools as ongoing clients. 882,725 students populate the region, which is 16% of the 5,427,370 students enrolled in Texas public schools in 2021-2022. The total of all personnel employed in the school systems of the Center's region in 2021-2022 was 115,886. This figure represents 59,799 teachers, 13,890 support staff positions (counselors, librarians, nurses, therapists, etc.), 5,232 administrators, 11,860 paraprofessionals (certified interpreter, educational aide), and 25,105 auxiliary staff (custodial, transportation, maintenance, etc.).

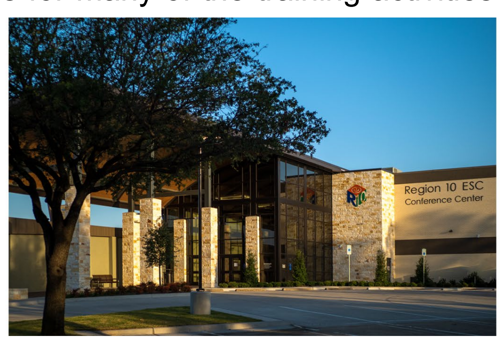
Staff Demographics

The Center employs 542 active staff members, of whom 455 are full-time, 7 are regular part-time and 80 are irregular part-time and are comprised of 456 females and 86 males. The percentage of minority staff members is currently 38%. Approximately 61% of staff are professional personnel and 39% are support personnel of various types.

Facilities and Grounds

The Center is housed in three buildings located principally at 400 E. Spring Valley Road in Richardson, Texas. A 57,000 square foot Administration Building, purchased in 1970, is attached to a 38,000 square foot Conference Center originally constructed in 1993 and renovated in 2019 with a beautiful and functional grand lobby complete with a robotarium. One block away, at 904 Abrams, is the third building, the Center's newest structure with 49,000 square feet, which was originally finished and occupied in 2003 and renovated in 2018. The Spring Valley Technology and Conference Center and the Abrams Building provide the locations for many of the training activities and

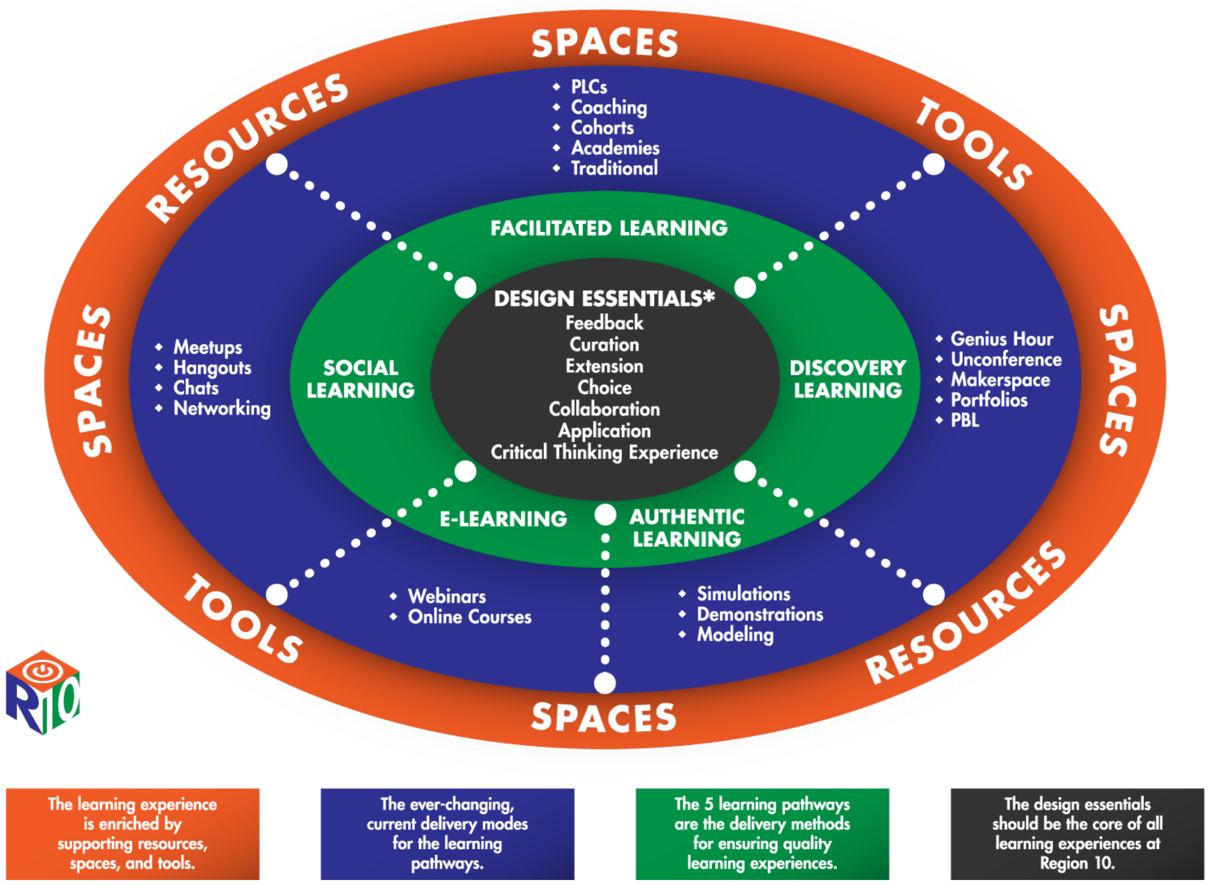




meetings conducted by the Center. Major renovations to Center training areas in both facilities have provided an exciting new environment for implementation of the Center's recently re-designed Professional Learning Model. All of these training room renovations added innovative technology, sophisticated training equipment, and flexible collaborative learning spaces.

The Center is now in the process of renovating employee office spaces to make a more aesthetically pleasing environment which will improve employee collaboration and productivity. A new garage/storage building is also under construction to house company vans and to add charging stations for electric vehicles. All upgrades to the Center's physical environment should be completed during the 2022-2023 fiscal year.

PLM – Professional Learning Model

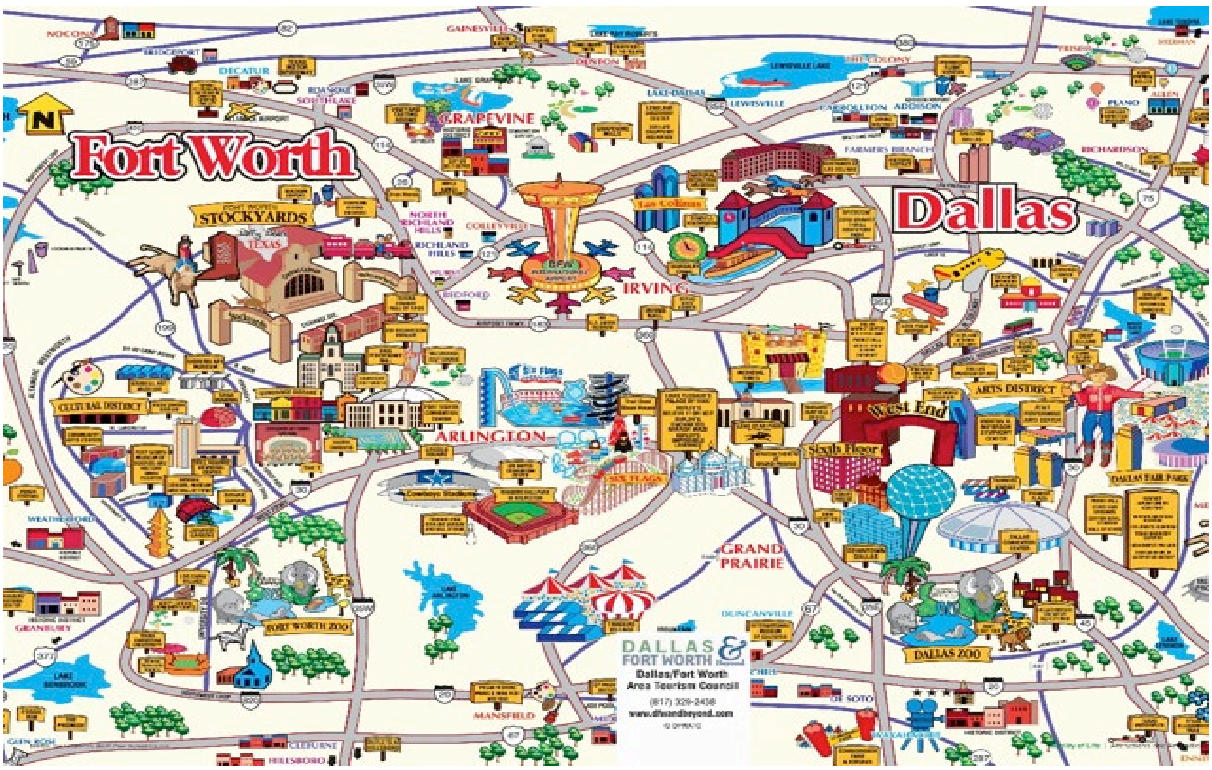


A smoke-free and drug-free environment is maintained in addition to having security camera surveillance in place in the parking areas twenty-four hours a day. The staff uses an off-site parking system at neighboring facilities to provide additional close-in parking for patrons and clients of the Center.

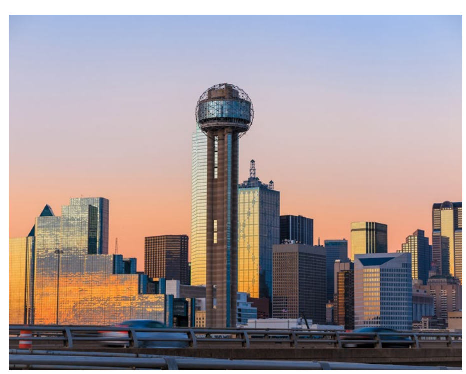
The Center is home to training and technical assistance opportunities from the opening of the doors at 7:30 a.m. until sometimes well into the night and on weekends. These include alternative certification training for aspiring teachers, professional learning sessions for current teachers, administrators, and board members along with many other services to the broader educational community.

North Texas Economic and Quality of Life Outlook

As the leading economic development agency for the Dallas-Fort Worth area, locally known as “DFW”, the Dallas Regional Chamber has the distinction of promoting one of the nation’s top locations for business and culture. For instance, DFW ranks among the top three U.S metropolitan areas for business expansions, relocations and employment growth and is the fastest growing metro in America. It is home to 23 Fortune 500 companies, behind only New York and Chicago. The region is also home to more than 400 public parks on 21,000 acres of parkland, approximately 60 lakes and reservoirs and more shopping centers per capita than any other major U.S. city. The Great State Fair of Texas is the largest annual state fair in the country with over 2.5 million visitors. Cities within the region have earned top 10 honors such as “best place to buy a house in America (Plano, Richardson)”, “hardest-working city in America (Irving, Plano)”, “best place to live in Texas (Garland, Frisco, McKinney, Plano)”, “best city to raise a family in Texas (Carrollton, Frisco, McKinney, Plano)”, “best cities to visit in Texas (Dallas)”, and “best place to retire in Texas (Dallas)”.



Indicators like these show why more than 7.8 million people call the Dallas-Fort Worth metroplex home. They also show that the Center is located in the midst of a booming market for economic and population growth in Texas. Conveniently located in the middle of the U.S. and North American continent, DFW provides an excellent business climate with easy access to other business centers. Business costs in DFW are lower than any other major metropolitan area in the nation. The region has ample affordable real estate – both office and industrial – and reliable utilities with high capacity. Also, a range of state and local incentives are available for qualified businesses.



The community's pro-business attitude supports a wide range of industries throughout the area served by the Center. The region has a mild year-round climate with an average daily low temperature of 57 degrees and an average daily high temperature of 77 degrees. In addition to a mild climate, DFW has a moderate cost of living, typically several points below the national average, and considerably lower than major east and west coast cities. Housing opportunities in the regional service area offer urban chic living and small-town pride mixed with big city conveniences.

Employers in DFW draw from a well-educated and skilled workforce throughout the 13-county region. A robust network of interstate highways, state highways, toll roads and light rail makes it easy for workers to navigate the area, keeping commute times low for major employment centers. The region's relatively low cost of living means employers can tap into a strong workforce no matter where they base their operations. For employees, the wide distribution of jobs means that they are able to choose from a variety of communities in which to live and enjoy the lifestyle that best fits their needs.

Services Provided

The primary statutory functions of the Center are to assist school districts in improving student performance, enable school districts to operate more efficiently and economically and to implement initiatives assigned by the legislature or commissioner. According to the Texas Legislative Budget Board, education service centers save school districts hundreds of million dollars per year by providing quality services at a lower cost.

There are eight primary service areas in Region 10 plus a couple of internal support areas.

Primary Service Areas:

- **Administrative Services** has responsibility for offering a comprehensive package of services for superintendents and their leadership teams to improve their effectiveness and to improve the economy and efficiency of their school districts and charter schools. These services fall into the following major categories:
  - Evaluation Services: a wide array of services is provided such as Texas Teacher & Principal Evaluation Support Systems, student growth and advancing educational leadership.
  - Business, Finance, and Operations Support: products offered include annual tax rate survey, enrollment projections, investment officer training, notary training, school finance conferences and consultation, and purchasing consortium.
  - Human Resources (HR) Training and Support: sample offerings are teacher job network, quarterly and annual trainings on HR related topics as well as legal trainings by local law firms, and the HR roundtable.
  - Leadership Training: these services include administrator and instructional leadership training, charter school roundtables, school board training, principal and assistant principal leadership academies and Superintendent networking events.
  - Retirement Asset Management Services: this category includes the teacher/employee recruitment and retention program, FICA alternative plan cooperative, the 457 plan cooperative, and 403(b) third party administration.

- Child Nutrition Programs: provides technical assistance, training and resources to child and adult day-cars and school districts in order to promote effective management of the federally funded nutrition programs in accordance with USDA and Texas Department of Agriculture.
- Child Nutrition Multi-Region Purchasing Cooperative: organizes, administers, tabulates, advertises, awards the bids and acts as a coordinating center for all bids to assist member districts in substantial savings on the cost of food items.

- **Technology and Data Services** offer services both internal to the Center and in support of districts and charter schools in the following service areas.
  - Technology Network Services: to assist schools in need with a team of network engineers, system administrators and data professionals to design and maintain their technical infrastructure.
  - Videoconference Network Services: offers members two-way audio/video and multi-point conferencing from almost any device and provides Zoom host accounts to districts at a discount,
  - Skyward Application Support: offers support for Skyward's student and business information software.
  - TxEIS Business & Student Support: offers support to districts for most comprehensive enterprise information system in Texas; TxEIS is an administrative software designed exclusively for Texas schools with business and student applications. In the summer of 2021, a new business and student support system was unveiled called Ascender that replaced the TxEIS system.
  - Texas Student Data System PEIMS: TSDS is software application for PEIMS (Public Education Information Management System) collection of statewide data requested and received by the Texas Education Agency. The PEIMS staff of Region 10 provides a variety of workshops throughout the year for hands-on assistance, as well as phone and email support.
  - Cybersecurity Services: During the pandemic, cybersecurity has become more important than ever. Region 10 has launched a new service to assist districts with this critical function.
  - Fiber Consortium: Region 10 went out for bid recently to provide a fiber consortium for our districts that would ensure adequate bandwidth to serve students at a competitive price.

- **Teaching and Learning Services** has responsibility for improving student achievement and implementing state educational initiatives. Teaching and Learning Services offers a wide array of instructional support services to schools, which includes the following:
  - Regional Cooperative Services: membership provides district and campus personnel access to core-content professional learning, technical expertise, support for state and federal accountability systems and curriculum directors' meetings.
  - Counselor Initiative and Student Support Services: membership provides district and campus personnel access to professional learning for counselors, school health professionals, and career and technical educators

- Advanced Academics Services: membership provides district and campus personnel access to professional learning, program development, the Center's Advanced Academics Network and guidance in developing capacity for leadership.
- Fine Arts and Languages Other Than English (LOTE): membership provides district and campus personnel access to professional learning, program development and participation in the Center's Fine Arts and LOTE Cadres.
- Library Services: membership provides district and campus personnel access to specialized support for library staff, including certified librarians and library paraprofessionals, to meet district and campus instructional goals.
- Strategic Support Services: membership provides district and campus personnel access to ongoing, comprehensive support aimed at improving systems and processes for sustainable success and is designed to coordinate services based on goals and interventions identified in the Data-to-Interventions training.
- Migrant Education Program SSA: provides services to districts with identified migrant students and can include migrant Identification and Recruitment services, New Generation System data entry and record keeping and required Title 1, Part C student and parent services coordination.
- Reading Academies: the Center is an authorized trainer for this state mandated training.
- Texas Home Learning and Texas Lesson Study: these are state mandated and funded programs where the Center plays a critical role in implementation with school districts

- **Special Populations Services** provides leadership, technical assistance and professional development to local districts, charters, teachers, administrators, parents of students with disabilities, and adult students with disabilities. Programs include:
  - Adaptive Physical Education: Kid-Netic games, technical assistance for local special Olympic events;
  - Assistive Technology: evaluation process, equipment loan and software training
  - Autism: ASD access, communication and behavior analysis, bullying, classroom observation and parent training;
  - PBIS/Behavior: positive behavior supports and interventions, crisis interventions, behavior plans for general education;
  - Homeless/Foster Care: McKinney-Vento Homeless Education funding, community partnerships for homeless liaisons;
  - Occupational & Physical Therapy: technical assistance, supervisor meetings, therapists meetings;
  - Section 504 Services: sample forms and materials, online webinars, training
  - Speech Language Pathologists/Speech Therapy: professional development, bilingual speech pathology, ethics training;
  - Visual Impairment/Orientation & Mobility: expanded core curriculum events such as babies' day out, sports extravaganza, technology Olympics and professional learning offerings

    - Administrative Support: support for Special Ed programs in the areas of data driven instruction/progress monitoring, funding, audit preparation, staffing analysis, and mentoring.
    - Training/Technical Assistance: some of the areas addressed are evaluation, equity/cultural diversity, and the impact of poverty
    - Crisis Team: support for districts experiencing a crisis of any sort such as the loss of a student or teacher, active shooter situation, etc.

- **Digital Learning and Resources** focus on developing and nurturing the capacity in learners to leverage current and emerging technologies; fostering the effective transformation of teaching and learning; and creatively developing uses of new and existing resources to enhance effectiveness and efficiency. In order to achieve this, the following systems/initiatives are utilized:
    - Digital Learning Solutions: the Digital Fluency Institute program provides extensive professional development for administrators, teachers, coaches and librarians and involves using technologies to live, learn, teach and work in a digitally connected world.
    - Distance Learning Solutions: designed to connect learners, content and educators across space and/or time to provide opportunities and efficiencies for continued learning including Discovery Streaming, Online Learning Center, and Reggie's Robots for homebound students.
    - Data Solutions: designed to enhance the effectiveness of planning and decision-making and to provide support and training on tools that support student learning including AXIOM Accountability Analytics, BrightBytes Clarity for Schools, Edugence Student Support Suite, Eduphoria, TEKS Bank and OnData Suite.
    - G Suite for Education: designed to provide training for Google apps for collaboration, Google forms and sheets for feedback, Google classroom and Google sites for sharing.
    - Special Revenue Solutions: designed to provide comprehensive support to schools in implementing the fiscal and program requirements of federal programs and special state initiatives. This department manages hundreds of millions of dollars on behalf of school districts including many of the Covid related grants.

- **Head Start Services** provide high quality services and support to school districts' for Head Start and Early Head Start.
    - Head Start: the Center is the grantee for the Head Start program in a five-county area: Collin, Ellis, Grayson, Kaufman and Rockwall. The partnership provides a comprehensive early childhood program that wraps around the district's Pre-Kindergarten program.
    - Early Head Start: the Center has a partnership with three school districts that include Sherman, McKinney and Rockwall ISDs to provide Early Head Start for children age's birth to three.

- **Personnel & Certification Services** provide highly qualified educators and services in the areas of:
    - Training and Support: provides HR services such as the Teacher Job Network and various HR trainings throughout the year, bus driver safety

training courses including certification and re-certification courses, and substitute teacher support services.
    - Preparation Programs: work with colleges and schools for superintendent intern program, works with individuals seeking certification as educational diagnosticians, school counselors and teachers.

- **Communication Services** serves the internal needs of the Center in the areas of marketing, branding, and communication of all kinds including social media and video production. This service area also provides external client services such as:
    - Video Services: video production, studio rental, marketing and promotional messages and live video streaming
    - Graphic Design Services: logo design, posters, flyers, booklets, brochures, calendars, badges
    - Web Services: website evaluation and development, web editor training, accessibility/closed captions

Support Areas:

- **Financial Services** has responsibility for all internal business functions including payroll, accounts payable/receivable, purchasing, risk management, grant management, reporting, cash management, and investments. This area also offers printing services to internal and external clients. These services include digital reproduction in black/white or color; variable data processing/mail fulfillment, posters, roll-up displays and banners; traditional forms, promotional calendars and custom flyers, and customized binders and bound books.

- **Human Resources is** tasked with managing the following responsibilities: recruitment and staffing strategies, compensation administration, employee benefits, leave management and employee on-boarding. The HR staff is committed to a servant leadership approach in facilitating professional communication for the common purpose of the ESC as an organization and its employees. Their primary responsibility is to provide all internal service areas with best practice HR strategies to maximize employee and team success.

Center Accomplishments for the 2021-2022 Year

All Center activities are aligned with the three statutory purposes of Education Service Centers as outlined below.

Improve Student Performance in School Districts and Charter Schools Served - ESCs impact student performance in school districts and charter schools served by providing programs, products, services and resources to enhance teacher effectiveness. ESC goals and objectives take into consideration student performance in school districts and charter schools served on an ongoing basis. Products and services developed by ESCs are developed and/or designed to assist school districts and charter schools in meeting student performance standards.

Improve School District and Charter School Effectiveness & Efficiency – ESCs impact school district and charter school effectiveness and efficiency by providing programs, services, and resources to enhance school district and charter school leader effectiveness. ESC programs and services for cooperative purchasing, technical assistance and program support enable school districts and charter schools to operate more effectively and efficiently. ESCs promote effective use of professional development funds and activities to support school district and charter school improvement.

Implement Initiatives Assigned by the Legislature or the Commissioner of Education
The most critical issue during 2021-2022 was continuing to assist our districts with student learning loss related to the pandemic. Texas service centers played a critical role in assisting the Commissioner of Education and the State to help our districts to keep students safe and to ensure quality instruction to help students with learning loss.

Other state priorities in the following areas continued to be addressed: College, Career, and Military Readiness, Reading Academies, Turnaround for Schools in need of Improvement, Instructional Leadership and Serving English Learners. The State provided grant funds to support these activities.

Region 10 "Points of Pride" for 2021-2022 – Detailed below are some noteworthy accomplishments by Region 10 during the 2021-2022 fiscal year.

Communications Services

- Launched a Region 10 App - 830 downloads
- Received seven Texas School Public Relations Association Star awards, including a Best In Class
- Social media audience grew by nearly 2,000 participants (137%)
- Social media engagement increased by 50% - 77,000+ engagements
- 605,000 views of Region 10 YouTube videos, with 13,000 subscribers
- More than 200 marketing and communications deliverables created for our Region 10 colleagues

Head Start/Early Head Start

- January 2022, the Administration for Children and Families (ACF) conducted a Focus Area Two (FA2) monitoring review of the Center's Head Start and Early Head Start programs and found our program to be in full compliance
- 704 Head Start families and 214 Early Head Start families completed a goal for 2021-2022
- Head Start completed 759 well exams and Early Head Start 183 exams for children in the program
- Head Start completed 649 dental exams and Early Head Start completed 144 dental exams 144 for children in the program
    - Established medical and dental homes for children in the program to promote health and wellness so students were ready to learn!
- Mental Health Consultants completed 96 referrals for students in 30 Head Start classrooms and 8 Early Head Start Classrooms to provide observations and strategies for behavior concerns
- Participated in UCLA Health Care Institute Cohort for training on trauma-informed practices that focused on promoting resilience and healing in Head Start and Early Head Start staff that resulted in Region 10 providing the CALM app for all staff, HR training segments for employee benefits and the Head

Start/Early Head Start team having regular staff wellness information and support in monthly meetings, TEAMS channel, Smore, etc.

Digital Learning and Resources

- The Region 10 Equitable Services team partners with 31 Independent School Districts to provide services to over 120 private schools, as required under ESSA (Every Student Succeeds Act). There are over 33,000 private school students and about 4,400 teachers benefitting from services, provided through Region 10, that support high-quality teaching and learning.
- Region 10 is the fiscal agent managing more than 250 million dollars for client schools in the following federal programs (Every School Succeeds Act (ESSA), Emergency Assistance to Non-Public Schools (EANS), Elementary and Secondary School Emergency Relief Fund (ESSER), State Compensatory Education & Private School Equitable services).
- Region 10 provides assistance to more than 350 private schools across the state of Texas with EANS funding.

Personnel & Certification

- Region 10's Equalis Purchasing Coop continues to provide client districts with access to competitive purchasing alternatives and was recognized by CTPA for their best practices in public procurement.

Special Populations

- Supported 1,463 students in adapted sporting events - Special Olympics, KidNetic Games, SportsX, etc.
- The Center managed an $81 million Supplemental Special Education Services (SSES) grant from the Texas Education Agency which enabled $1,500 one-time, on-line grants for eligible parents/caregivers of special education students with disabilities that have been impacted by COVID-19 school closures. Over 50,000 grants were awarded to families.
- SPEDTex, the statewide Special Education Information Center managed by Region 10, has assisted over 17,000 stakeholders.
- Hosted the Dyslexia Conference and had 1,287 educators attend.

Teaching & Learning

- Career and Technology Education:
  - Implemented the Community Health Workers certification program and certified over 60 instructors and over 500 students.
  - Supported 36 Local Education Agencies (LEAs) through the Perkins Shared Service Arrangement, a federal grant from the Texas Education Agency.
  - Provided programmatic development opportunities to over 85 LEAs through leadership meetings, administrative training for CTE, and direct consultation.
  - Engaged in 4 grants creating Texas Regional Pathway Networks that engaged 11 LEAs in the work of creating new pathways for students to postsecondary success and included close to $1 million dollars in funding.

Technology & Data Services

- The Fiber 10 Network Consortium provides cost effective internet bandwidth to schools and has grown to support 600,000+ staff and students, 70 LEAs, and over 130 10GB fiber circuits.
- Launched statewide Endpoint Detection and Response (EDR) solution to enhance cyber security protection for all Texas LEAs.
- Hosted the first full Cybersecurity Conference with over 100 school district personnel in attendance, including a Superintendent panel discussion, to collaborate and learn best practices.

Funding

The Center receives a limited base amount of state money for Center operations, which has not changed materially in several years. Although the majority of Center funding comes from state or federal grants and contracts it administers, the Center continues to earn an ever-expanding percentage of revenue through local fees for products and services provided to local districts, state and nation-wide clients.

Prior to September 1, the budget is legally adopted by the Board of Directors. Once a budget is approved, it is amended at the functional expenditure category and major fund group by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Internal Controls

Internal controls have been established by the Center's management to provide reasonable assurance that assets of the Center are being properly safeguarded, financial records are fairly and accurately maintained and governing statutes and policies are correctly followed. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met, recognizing that the cost of control should not exceed the benefits likely to be derived.

As a recipient of federal, state, and local financial assistance, the Center is also responsible for ensuring that an adequate internal control structure is in place to guarantee and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by the Texas Education Agency and other federal/state auditors. As part of the Center's single audit, tests were made of its internal control structure and its compliance with applicable laws and regulations, including those related to federal financial assistance programs. The audit for the year ended August 31, 2022, disclosed no material internal control weaknesses or material violations of laws and regulations.

As demonstrated by the statements and schedules included in the financial section and the federal awards section of this report, the Center continues to meets its responsibility for sound financial management.

Long-Term Financial Planning

Although Covid money is still in abundance everywhere, school districts still have to make decisions on how to spend their available resources effectively and how to face the financial cliff that is looming when Covid funds expire. The Center has played a critical role in helping districts with these decisions and has maintained almost 100 percent participation among client districts during the crisis just as it did beforehand. The critical mission of service centers is to provide leading edge cooperative and collaborative instructional and administrative services; our superintendents have clearly shown that they value the role of ESCs. To ease the financial burden on school districts, the Center has continued to enforce rigorous cost controls in order to offer services with only modest fee increases that continue to offer value. A multi-year plan is in place and continually updated to forecast client needs and available resources. This is especially true in the current environment where everyone is focusing on how to adjust and to thrive in the new normal following the pandemic.

Relevant Financial Policies

Like most public entities, the Center's investment policy emphasizes safety of principal and liquidity over yield. Per local policy, the only permissible investments are U.S. Treasuries and Agencies, bank CD's and government investment pools that do not use commercial paper.

The Center's risk management policies are designed to ensure that the Center does not assume any significant self-insurance risk, although this comes at a cost to programs. The employee health insurance program is a State sponsored fully insured plan (TRS Active-Care). Additionally, the Center is fully insured for workers' compensation and unemployment compensation claims and maintains an appropriate level of coverage, given our sovereign immunity, for General Liability. Property and casualty insurance levels are reviewed annually to ensure that facilities and equipment are covered at a cost-effective level.

Due to the large amount of federal funds that flow through or are used by the Center to provide services, a complete Federal Grants Policies and Procedures Manual has been developed and continually revised which incorporates all of the federal cost principles contained in the Uniform Guidance Documents that are part of the Code of Federal Regulations (CFR), specifically Title 2 and 34 which is the Education Department General Accounting Regulations (EDGAR).

During the year, departments within the Center may bill one another for services normally provided to external clients (e.g. database development, training, video production, website hosting). Also, school district members of the federal cooperatives may use their entitlement funds, held by the Center as fiscal agent, to purchase services or coop memberships from the Center. These particular types of transactions are not included in the internal service funds. On the Statement of Activities, the Center has eliminated approximately $2.5 million of revenue and expenses that are for these type of internal activities in order to avoid overstating revenue and expenses.

Independent Audit

Section 8.102, Texas Education Code, requires an annual audit by independent certified public accountants. The Center's Board of Directors approved the firm of Edgin, Parkman, Fleming & Fleming, P.C. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* The auditors, in conducting the audit engagement, used *Government Auditing Standards* issued by the Comptroller General of the United States. Furthermore, the audit is performed in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide.*

The audit is made on an organization-wide basis and involves all funds of the reporting entity. The independent auditors' report on the financial statements is included in the financial section of this report. The independent auditors' report on internal controls and compliance with requirements applicable to each major program can be found in the federal awards section of this report.

<u>Acknowledgments</u>
This is the 17th consecutive year the Center has received the awards of excellence in financial reporting from the Association of School Business Officials (ASBO) and the Government Finance Officers Association (GFOA) for its Annual Comprehensive Financial Report (ACFR).

We would like to express our gratitude to the members of the Board for their contribution to the continued successful operation of the Center. We would also like to express our appreciation to those staff members who contributed to the preparation of this report as well as the independent audit firm of Edgin, Parkman, Fleming & Fleming, P.C., for their technical support.

Respectfully submitted,

Gordon D. Taylor

Gordon Taylor, Ed.D.
Executive Director

Sue Hayes

Sue Hayes
Chief Financial Officer

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Education Service Center Region 10

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended August 31, 2021.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

William A. Sutter	**David J. Lewis**
President	**Executive Director**

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Education Service Center Region 10
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2021

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL

SECTION

FOR THE FISCAL YEAR

ENDED AUGUST 31, 2022

EDGIN, PARKMAN, FLEMING & FLEMING, PC
CERTIFIED PUBLIC ACCOUNTANTS

1401 HOLLIDAY ST., SUITE 216 ▪ P.O. BOX 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 ▪ FAX (940) 766-5778

MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Financial Statements

Board of Directors
Education Service Center Region 10
400 E. Spring Valley Road
Richardson, Texas 75081-5199

Members of the Board of Directors:

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 Education Service Center Region 10 (Center) as of and for the year ended August 31, 2022, 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 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 the Center as of August 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 accounting principles generally accepted in the United States of America, and 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 generally accepted auditing standards 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 generally accepted auditing standards 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and schedules related to Center's participation in the Teacher Retirement System identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 any 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 accompanying other supplementary information comprised of required Texas Education Agency schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information comprised of required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated November 28, 2022, 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, grant agreements and other matters. The purpose of that report is 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 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.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

November 28, 2022

This section of Education Service Center Region 10's (the Center or Region 10) annual comprehensive financial report is a narrative overview and analysis of the financial activities of the Center for the fiscal year ended August 31, 2022. Readers are encouraged to consider the information presented here in conjunction with the information provided in the letter of transmittal, which is located at the front of this report and the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government Wide Statements (long term view of economic resources, pages 16-18)

* **Net Position at Year End**: As shown on the Statement of Net Position, the assets and deferred outflows of the Center exceeded the liabilities and deferred inflows at the close of the fiscal year resulting in a net position of $5,724,035. Of this amount, $25,431,406 represents our net investment in capital assets and ($19,707,371) is the unrestricted net position. GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75 "Accounting and Financial Reporting for the Postemployment Benefits Other than Pensions", reduced the August 31, 2022 unrestricted net position by $12,902,973 and $27,058,756, respectively, from the $20,254,358 that it otherwise would have been.

* **Change in Net Position**: The Statement of Activities shows that current year revenue exceeded current year expenses by $8,530,270. This was due to revenue exceeding expenditures on the fund financials by $2,878,436 adjusted for construction and loan payments, depreciation and the effects of GASB Statement Nos. 68 and 75.

GASB Statement Nos. 68 and 75 require reporting entities to recognize their proportionate share of the State's future net pension and other postemployment benefits (OPEB) liabilities on the net position statement, along with income statement activity related to changes in the collective pension and OPEB liability between August 31, 2020 and the measurement date of August 31, 2021 (August 31, 2022 won't be available until summer of 2023). These statements also require recognizing deferred outflows and inflows of resources for the current year and recognizing the Center's portion of the State's on-behalf contribution to the plan's pension and OPEB expense. See Notes J and K for further details.

Fund Financial Statements (shorter term view of financial resources, pages 19-22)

* **Net Change in Fund Balances**: Fund financial statements show that during fiscal year 2021-2022, the Center's General Fund balance increased by $2,878,436. There was an excess of current revenue over expenditures even after funding $2 million of building renovations and prepaying $2.3 million of debt. The large excess local revenue was due to several factors:

    - There is still an abundance of Covid grant funds that are absorbing local expenses due to the time frame necessary to achieve grant objectives. This has resulted in some temporary staffing vacancies.
    - In addition, there was growth in local programs, some of which are shown below. The growth was at least partially due to the Covid related grant funds that our districts received and had available to spend.
    - Assistance was provided to districts for school improvement as they used the pandemic funding received from the Texas Education Agency.

- Texas Instructional Leadership is a large program funded by the Texas Education Agency to help school administrators lead the effort to help students recover from learning loss.
- Reading Academies were also mandated and funded by the State and the Center is an authorized provider of this training for districts.
- Cybersecurity became very important during the pandemic environment and continues to be front and center as security breaches multiply. The Center plays a key role in procuring and providing these services to client districts.

* **Fund Balance at Year End**: At the end of the fiscal year, the Center's governmental funds reported combined ending fund balances of $18,719,796, which was all in the General Fund. The unassigned General Fund balance was $5,101,833 or 16.6% of General Fund expenditures. This level of unassigned fund balance is in line with the 15% general guideline for ESC's to maintain for cash flow emergencies and other unforeseen contingencies. Non-spendable fund balance of $312,898 represents prepaid expenditures in the General Fund and is not an expendable financial resource. The remaining $13,305,065 of General Fund balance is committed by the Board for various purposes which include building improvements, product research and development, development of improved online professional development systems, along with a new phone system for the Center and other technology upgrades.

Other Financial Highlights

* Construction was started on a 2,000 square foot garage/storage building at the Spring Valley location. This was initially to be completed during the 2021-2022 year but due to supply chain disruptions from the pandemic, it won't be completed until the 2022-2023 year.

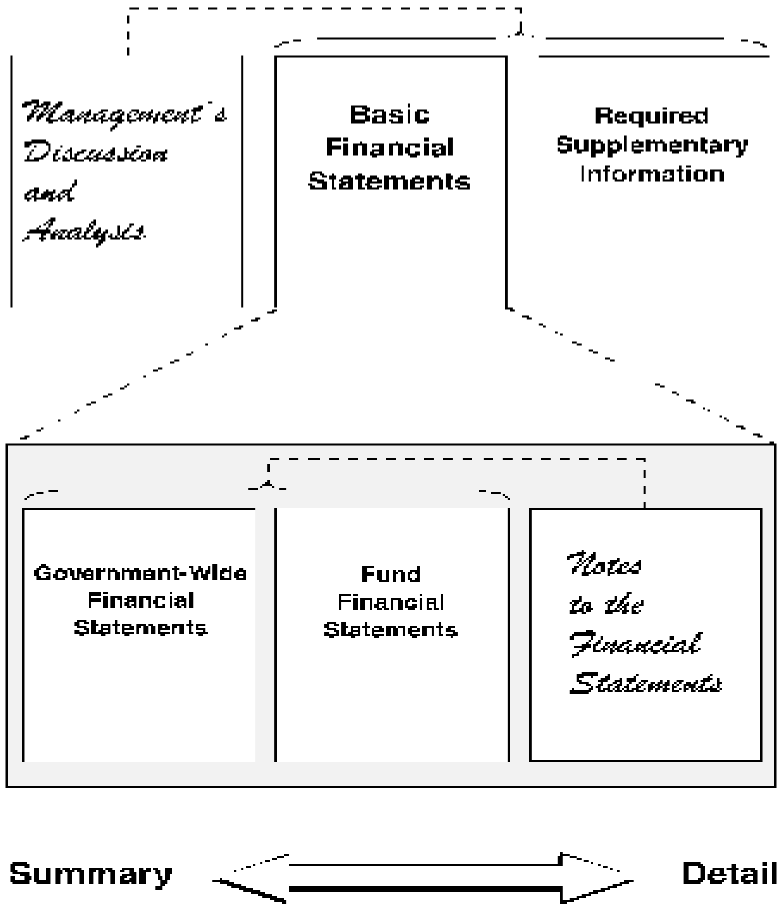
* Also, as the Center completes a multiyear renovation of all physical facilities, office renovations for two of the Center's major service areas at the Spring Valley location have begun. This construction project is expected to be completed during the 2022-2023 year and will lead to a more collaborative, productive and aesthetically pleasing environment for Center employees.

* As part of the continuing influx of Covid funding, the Center received funding for and will act as fiscal agent for another round of Emergency Assistance to Non-Profit Schools funds from the Texas Education Agency with more to come in the next fiscal year.

USING THIS ANNUAL REPORT

This annual report consists of three required parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information.* Other supplementary information can be provided at management's discretion.

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



Management's Discussion and Analysis

MD&A is part of the required supplementary information that precedes the financial statements. It provides a concise, unbiased, and easily readable description of the Center's financial activities and is based on currently known facts as of the audit report. This section helps users understand the relationship of the results reported in the government-wide financial statements and the results reported in the major governmental funds financial statements.

Basic Financial Statements

Government Wide Financial Statements – Reporting the Center as a Whole
The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 16 and 17-18). These provide information about the activities of the Center as a whole and present a longer-term view of the Center's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The purpose of this analysis is to show whether the Center is better or worse off because of the year's activities. The Statement of Net Position includes all the Center's assets/deferred outflows of resources and liabilities/deferred inflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Center's operations during the year and their overall effect on net position. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

On the Statement of Activities, the Center's revenues are divided into "Charges for Services" which are those provided by outside parties who share the costs of some programs, primarily charges to school districts for services provided, and "Operating Grants and Contributions" which are federal and state grants provided by the U.S. Department of Education, the Texas Education Agency (TEA), or other grantor agencies for specific program purposes. These revenues are then allocated to functional expense categories to show the impact on net position for that category. General revenues, such as state base and state supplemental health funds provided by TEA and investment earnings are shown at the bottom of the Statement of Activities and are not associated with a specific functional expense category.

These two statements report the Center's net position and changes in them. The Center's net position (the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources) provides one measure of the Center's financial health, or financial position. Over time, increases or decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating. However, in order to fully assess the overall health of the Center, non-financial factors such as the level of district participation in the Center's programs and services, upcoming federal and state legislation, and the condition of the Center's facilities should be considered. For the Center, the Statement of Net Position and the Statement of Activities is comprised entirely of Governmental activities, which are described below.

Fund Financial Statements – Reporting the Center's Most Significant Funds

The fund financial statements (starting on page 19) provide detailed information about individual funds, not the Center as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Laws and contracts require the Center to establish some funds, such as grants received from state and federal agencies. The Center's administration establishes many other funds to help it control and manage money for particular purposes.

The Center's three kinds of funds – governmental, proprietary and fiduciary – use different accounting approaches.

Governmental funds – All of the Center's basic services are reported in governmental funds. The General Fund includes local "fees for services" programs; the Special Revenue Fund includes special purpose grants; and the Debt Service Fund includes principal and interest associated with a construction loan. Governmental funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and reports balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Center's general operations and the basic services it provides. A description of the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is found in reconciliation schedules following each of the fund financial statements (Exhibits C-2 and C-4). The primary differences are the treatment of capital assets and related depreciation, the consolidation of the proprietary fund's net position and GASB Statement Nos. 68 and 75 related to net pension and net postemployment benefits other than pension liabilities and related deferred inflows and outflows of resources.

Proprietary funds – There are two kinds of proprietary funds - *enterprise* (profit making activities) and *internal service* (fund that provides services to internal departments and is designed to "break even"). The Center does not have any enterprise funds but does have an internal service fund that includes such costs as insurance, housing, building maintenance, technology infrastructure and printing. Unlike governmental funds, the internal service fund uses the full accrual accounting methodology used in the government wide statements. The internal service fund is not incorporated in the fund financial statements although the charges to internal departments are shown as expenditures.

Fiduciary funds – The Center established a scholarship fund in honor of retired administrative assistant to the executive director, Kathleen Boswell. This private-purpose trust fund, which the Center holds funds in a trustee capacity, is funded through donations received from employees, other individuals or businesses. Any support staff who wants to further their education can apply for a scholarship. Applicants are selected by a scholarship committee.

The Center established a custodial fund to receive contributions from employees to be used for Center events such as administrative assistants' day, adopt-a-school program and other employee activities.

The fiduciary funds use accrual accounting but because these funds are held in a trustee or custodial capacity, they are not included in the government-wide statements. The private-purpose trust fund and the custodial funds' reporting activities focus on net position and changes in net position.

Notes to the Financial Statements – The notes to the financial statements (starting on page 28) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Required Supplementary Information

The required supplementary information is comprised of this management's discussion and analysis, budgetary comparison schedules for the General and Special Revenue Funds shown in the fund financial statements, schedules regarding GASB Statement Nos. 68 and No. 75 and notes to required supplementary information.

The budgetary comparison schedules for the General and Special Revenue Funds show the original budget, final amended budget, actual amounts and the variance between the final amended budget and actual as of August 31, 2022. The GASB Statement No. 68 schedules include a schedule of the Center's proportionate share of the net pension liability and a schedule of retirement contributions. The GASB Statement No. 75 schedules include a schedule of the Center's proportionate share of the net OPEB liability and a schedule of OPEB contributions.

Individual Fund Information

The individual fund information is comprised of a budgetary comparison schedule for the Debt Service Fund, with the original budget, final amended budget, actual amounts and a variance column.

Federal Awards Section

The Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the Center is using funds supplied in compliance with the terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position (Table I) and changes in net position (Table II) of the Center's governmental activities.

TABLE I
NET POSITION

	Governmental Activities		
	2022	2021	Total % Changed
Current and Other Assets	$ 37,361,281	$ 34,006,755	10%
Capital Assets, Net	25,740,048	24,053,533	7%
Total Assets	63,101,329	58,060,288	9%
Deferred Outflows of Resources	9,209,468	9,379,892	-2%
Current Liabilities	16,924,901	16,556,319	2%
Noncurrent Liabilities	27,023,989	37,156,179	-27%
Total Liabilities	43,948,890	53,712,498	-18%
Deferred Inflows of Resources	22,637,872	16,540,230	37%
Net Position:			
Net Investment in Capital Assets	25,431,406	21,752,023	17%
Unrestricted	(19,707,371)	(24,564,571)	20%
Total Net Position	$ 5,724,035	$ (2,812,548)	304%

The decrease in Noncurrent Liabilities is primarily due to the construction loan payoff of $2,301,510 in February 2022 and the change in the net pension liability of $8,577,765 for GASB Statement No. 68. One of the primary reasons for the decrease in the net pension liability was the strong investment performance during the Teacher Retirement System's fiscal year 2021. According to the TRS's 2021 annual financial report, the fiscal year 2021 investment income was $40.5 billion, an increase of $29.4 billion from the previous fiscal year. This large increase in investment income assisted in reducing the State's overall pension liability. This investment income increase does not affect the other postemployment benefits liability.

The increase in Deferred Inflows of Resources is again due to the effects of GASB Statement No. 68 and the investment performance during TRS' fiscal year 2021.

Net position as of August 31, 2022 was $5,724,035. This compares to total fund balance on the fund financial statements of $18,719,796. Exhibit C-2 explains the major differences between the two. Net position includes the value of the Center's net investment in capital assets and internal service fund net position, which would normally make it a bigger number. However, when the liabilities and related deferred inflows and outflows of resources for the Center's portion of statewide pension and other postemployment benefit costs are factored in, the number significantly decreases.

Bottom line total net position increased from ($2,812,548) as of August 31, 2021 to $5,724,035 as of August 31, 2022. There are two components of August 31, 2022 Net Position displayed in Table I:

1) Net Investment in Capital Assets (e.g., land, buildings, construction work in progress, furniture and equipment) - The $3,679,383 increase resulted from current year construction work in progress for a garage/storage building and Spring Valley office renovations of $2,085,347, the construction loan payoff of $2,301,510, and depreciation expense of $912,881. The remaining difference relates to disposal of capital assets and the implementation of GASB Statement No. 87 for the right-to-use leased assets and liabilities.

   The Center uses these assets to provide services to regional school districts; these capital assets are not available for program spending.

2) Unrestricted – This portion of net position can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The unrestricted portion of net position increased between 2020-2021 and 2021-2022 by $4,857,200, thereby decreasing the net deficit. This deficit does not mean that the Center lacks adequate resources to pay its bills next year but is the result of having long-term commitments that are more than currently available resources. These long-term commitments primarily consist of the pension and other postemployment benefits liabilities required by GASB Statement Nos. 68 and 75.

The revenue/expense changes that led to these changes in Net Position are detailed in Table II below.

TABLE II
CHANGES IN NET POSITION

	Governmental Activities		
	2022	2021	Total % Changed
Revenues:			
Program Revenues:			
Charges for Services	$ 31,914,031	$ 27,933,153	14%
Operating Grants and Contributions	190,491,277	62,030,417	207%
General Revenues:			
Grants and Contributions not restricted to specific functions	843,176	792,003	6%
Investment Earnings	101,897	10,803	843%
Miscellaneous Revenue	67,627	-	100%
Total Revenues	223,418,008	90,766,376	146%
Expenses – Functional Groups:			
Instruction and Instructional-Related Services	103,927,490	37,565,135	177%

TABLE II
CHANGES IN NET POSITION

	Governmental Activities		
	2022	2021	Total % Changed
Instructional and School Leadership	415,386	464,182	-11%
Student Support Services	1,036,341	575,684	80%
Administrative Support Services	3,873,888	3,893,826	-1%
Support Services	7,981,889	10,406,441	-23%
Ancillary Services	3,408,361	2,723,376	25%
Debt Services – Interest	39,464	88,505	-55%
Facilities Acquisition & Construction	4,331	-	100%
Intergovernmental Charges	94,200,588	31,847,497	196%
Total Expenses	214,887,738	87,564,646	145%
Changes in Net Position of Governmental Activities	8,530,270	3,201,730	
Net Position at September 1 (Beginning)	(2,812,548)	(6,014,278)	
Prior Period Adjustment	6,313	-	
Net Position at August 31 (Ending)	$ 5,724,035	$ (2,812,548)	

In the area of revenue, Operating Grants and Contribution increased from the previous year by $128.5 million. This was primarily due to new funding as follows: Emergency Assistance for Non-Public Schools (EANS) contract with TEA for $47.2 million, Supplemental Special Education Services' (SSES) grants from TEA totaling $62.7 million and Elementary and Secondary School Emergency Relief (ESSER) grants from TEA totaling $17.1 million.

The Investment Earnings increased from the previous year due to climbing interest rates in the investment pools and depository bank as well as additional certificates of deposits purchased throughout the year.

Expenses increased $127.3 million, primarily in the Instruction and Instructional-Related Services ($66.4 million) and Intergovernmental Charges ($62.3 million) functional categories. The Instruction and Instructional-Related Services increase was due to the new SSES funding of $62.7 million and the increase in Intergovernmental Charges was due to the new EANS funding and increase in ESSER funds totaling $64.3 million.

THE CENTER'S FUNDS

As the Center completed the year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of $18,719,796, all in the General Fund. Although there was a planned use of fund balance of ($1,626,869) in the General Fund, the actual turned out to be a contribution to fund balance of $2,878,436. This increase resulted from remaining appropriations in multiple categories, primarily in Facilities Acquisition and Construction where the full amount of the construction projects was budgeted but both projects were only partially completed by the end of the fiscal year.

The unassigned portion of General Fund balance at year-end was $5,101,833 (16.6% of General Fund expenditures). Informal guidelines set by the education service centers in conjunction with the State, suggest that unassigned General Fund balance should be approximately 15% of general fund expenditures so the Center was close to the suggested target. The rest of the Center's General Fund balance was either non-spendable for prepaid expenditures or committed by the Center's Board for various purposes.

The Special Revenue Fund revenue and expenditures increased $130.1 million from the prior year primarily due to the EANS contract for $47.2 million, SSES grants for $62.7 million, and ESSER grants for $17.1 million as discussed above.

The Debt Service Fund expenditures consist of principal and interest on borrowed funds for the Phase I Spring Valley renovations. The amount borrowed from Dallas Capital Bank to help fund a portion of the Spring Valley training rooms' renovation was $2,637,620 at a fixed rate of 3.607%. Principal payments made in 2021-2022 were $2,301,510 which included prepaying the loan balance in full in February 2022.

The Center's Proprietary Fund group uses the full accrual accounting methodology contained in the government wide statements and therefore does not have a fund balance, but rather net position. Net position in the internal service fund, as displayed in Exhibit D-2, increased in 2021-2022 by $74,341. The GASB Statement No. 87 implementation for leases resulted in a prior period adjustment of $6,313 which resulted in a total net position of $1,568,370 as of August 31, 2022. (see Note R for more details). Although the goal of the internal service fund, by definition, is to break even by charging internal departments for the cost of providing services, several components of the internal service fund, such as Insurance, Technology Infrastructure, Housing and Capital Maintenance have accumulated excess revenue from program charges to fund long-range infrastructure improvement plans.

Budgetary Highlights

General Fund

Over the course of the year, the Board of Directors revised the Center's general fund budget several times. These budget amendments fell into several categories.

- Supplemental appropriations approved shortly after the beginning of the year to reflect prior year open purchase orders. These are timing items where the expenditure was approved and appropriated in the prior year, but a delay in the receipt of goods or services caused payment to be delayed to the subsequent year, thus requiring re-appropriation of funds.
- Operational expenditure transfers between functional categories throughout the year as needed.
- Addition of new local funding sources from contributions, vendor contracts, or new local programs and services.
- Re-forecast of local program revenue/expenditures as the year progresses.

Exhibit F-1 details the final amended budget for the general fund compared to the actual amounts for 2021-2022. Listed below are explanations of the significant variances between the final amended budget and actual for the general fund.

- Expenditures – Function 13 (Curriculum & Instructional Staff Development) favorable variance of $1,197,241 – the final budget amendment always includes a conservative estimate of remaining appropriations at year end to ensure that no functional category is underbudgeted. Actual remaining appropriations at year end were larger than budgeted primarily in the Teaching & Learning service area since it is one of the largest and had position vacancies that could not be filled by year end.
- Expenditures – Function 81 (Facilities Acquisition and Construction) favorable variance of $2,153,496 – this variance is due to the fact that the storage building and Spring Valley renovations were fully budgeted in 2021-2022 but only partially completed by August 31, 2022. The remaining appropriations have been budgeted in the 2022-2023 year when the projects are expected to be completed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the Center had $35,261,557 invested in capital assets, including facilities and equipment used to provide a broad array of services to school districts in the areas of student instruction, staff development, technical assistance and training, administrative efficiency and economy, data processing, and networking. This number includes the implementation of GASB Statement No. 87, the right-to-use leased assets. As of August 31, 2022, accumulated depreciation was $9,521,509 which led to a book value of $25,740,048.

More detailed information about the Center's capital assets is presented in Note F in the notes to the financial statements.

Long-Term Debt

In the spring of 2020, the Center entered into a construction loan with Dallas Capital Bank to help partially fund the renovation of the training rooms at the Spring Valley building. The total amount borrowed was $2,637,620 with a fixed interest rate of 3.607% and was to be paid back over a ten-year period. During 2021-2022, the Center paid $2,301,510 in principal payments, prepaying the balance of the loan in February 2022.

During the year, the Center implemented GASB Statement No. 87 *Leases*. The Center started accounting for what used to be deemed operating leases as the right-to-use leased assets and liabilities. These right-to-use leased assets and liabilities are accounted for in the internal service fund.

More detail information about the Center's long-term debt is presented in Notes G, H, I and R in the notes to the financial statements.

Other Obligations

Other obligations include compensated absences. More detailed information about the Center's other obligations is presented in Notes A (Other Policies) and I.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Texas has a strong and diverse economy, especially in the oil and gas, transportation, technology and telecommunication sectors. It boasts the second largest GDP in the country second only to California. Although the national and Texas economies were severely affected by the pandemic, the Texas economy continues to improve by leaps and bounds. Employment is on the way to reaching pre-pandemic levels and people are flocking to Texas to take advantage of the rebounding economy. To the extent that our client schools' property tax/state revenue is affected by economic factors, the Center's local revenues can also be affected so the current economic outlook for future years is positive.

Although the economic outlook is strong, the aftereffects of the pandemic on education and student learning have been profound. The State legislature, which meets each biennium, met during 2020-2021 but there was no significant new education related legislation. What was significant is that there were no cuts to state education funding as every dollar is needed to recover from the devastating effects of the pandemic. There continues to be an emphasis on developing effective ways to use the massive amounts of federal Covid funds to overcome student learning loss. It is also important to continue implementation of the landmark education bill (House Bill 3) passed in the previous session which added more than $11 billion for local property tax cuts and public education. This bill included such things as teacher raises and free Pre-K education with opportunities for additional funding to those districts that want to implement differentiated teacher compensation and modified instructional days.

We are currently in a very unique situation which has offered opportunities for the Center to provide technical assistance to school districts that are desperate for help to restore learning loss and that want to take full advantage of the recent legislative changes. The bill was so sweeping that it would have taken years to fully implement all aspects of it even in normal times. However, after the challenges of the past two years, it will take additional time to return to pre-pandemic student achievement levels and reach full implementation of the previous legislation.

Even though the current environment is challenging, education service centers are needed more than ever to help school districts meet these challenges. The Center is receiving large amounts of Covid funding from the State to manage and to implement State initiatives. Additional staff are being hired daily; our income statement has more than doubled and will continue to grow over the course of the next year. The innovative and cost-effective cooperative services offered by education service centers have always been a good value for our customers as evidenced by district participation in Center services that has remained close to 100% for years. The contributions of service centers have proven to be even more necessary in the post-pandemic environment as we all struggle to adjust to a new normal. Although the pandemic is not completely over and the future is uncertain, what is certain is that education service centers will continue to play a vital role in the education arena and that there are available funds for us to continue doing this.

The 2022-2023 General Fund original budget adopted by the Board reflects a projected use of fund balance of $491,265. Expenditures will be used to implement state initiatives, to enhance current offerings, to improve virtual learning, to assist districts with effective ways to utilize federal Covid funds, and to develop alternative programs to help schools address student learning loss. Since school districts in the state of Texas will continue to face student achievement issues and financial choices, an ongoing goal will be to keep fee increases to a minimum while maintaining tight cost controls. As always, the Center is striving to develop new and innovative products that offer value to districts and increased financial stability to the Center.

The 2022-2023 original budget was adopted with total projected revenues for all governmental funds of $184,299,979 and anticipated expenditures of $184,791,244. Projected August 31, 2023 General Fund balance is $18,228,531 with an unassigned component of $8,699,739 or 21.2% of General Fund expenditures.

As is the usual case, the 2022-2023 budget is expected to grow as the year progresses and carryover funds from the prior year are added, additional grant funding becomes known, and new grants are awarded.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, creditors and other stakeholders with a general overview of the Center's finances and to show the Center's accountability for the money it receives. Questions about this report should be directed to the Center's Chief Financial Officer at the Education Service Center Region 10, 400 E. Spring Valley Road, Richardson, Texas 75081.

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EDUCATION SERVICE CENTER REGION 10
STATEMENT OF NET POSITION
AUGUST 31, 2022

Data Control Codes		Primary Government: Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 3,883,546
1120	Current Investments	11,156,622
1240	Due from Other Governments	21,341,781
1250	Accrued Interest	10,984
1410	Unrealized Expenses	968,348
	Capital Assets:	
1510	Land	785,863
1520	Buildings and Improvements, net	21,961,951
1530	Furniture and Equipment, net	458,927
1550	Right-to-Use Leased Assets, net	378,268
1580	Construction Work in Progress	2,155,039
1000	Total Assets	63,101,329
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred Outflows Related to Teacher Retirement System - Pension	5,136,717
1706	Deferred Outflows Related to Teacher Retirement System - OPEB	4,072,751
1700	Total Deferred Outflows of Resources	9,209,468
	LIABILITIES	
2110	Accounts Payable	4,438,718
2140	Accrued Interest Payable	9,851
2150	Payroll Deductions & Withholdings	509,402
2160	Accrued Wages Payable	104,933
2180	Due to Other Governments	10,048,123
2200	Accrued Expenses	6,416
2300	Unearned Revenue	1,807,458
	Noncurrent Liabilities:	
	Due Within One Year:	
2501	Compensated Absences	9,101
2531	Right-to-Use Lease Liabilities	149,003
	Due in More Than One Year:	
2502	Compensated Absences	172,921
2531	Right-to-Use Lease Liabilities	159,639
2540	Net Pension Liability (Center's Share)	8,379,266
2545	Net OPEB Liability (Center's Share)	18,154,059
2000	Total Liabilities	43,948,890
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflows Related to Teacher Retirement System - Pension	9,660,424
2606	Deferred Inflows Related to Teacher Retirement System - OPEB	12,977,448
2600	Total Deferred Inflows of Resources	22,637,872
	NET POSITION	
3200	Net Investment in Capital Assets	25,431,406
3900	Unrestricted	(19,707,371)
3000	Total Net Position	$ 5,724,035

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

		Program Revenues	
	1	3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Instruction	$ 4,702,045	$ 2,700,144	$ 2,028,755
Instructional Resources & Media Services	2,125,333	1,970,422	165,231
Curriculum and Instructional Staff Development	97,100,112	10,967,141	89,877,021
Instructional Leadership	415,386	3,831	455,722
Guidance, Counseling and Evaluation Services	431,527	431,527	-
Health Services	604,814	97,244	543,612
General Administration	3,873,888	3,038,205	1,925,524
Facilities Maintenance and Operations	1,465,531	924,453	602,397
Data Processing Services	6,516,358	6,701,095	723,717
Community Services	53,418	13,848	(34,640)
School District Administrative Support Services (ESC)	3,354,943	4,524,378	-
Debt Service - Interest	39,464	-	-
Facilities Acquisition and Construction	4,331	541,743	-
Payments to Member Districts of SSAs (Note O)	47,002,881	-	47,002,881
Other Governmental Charges	47,197,707	-	47,201,057
TOTAL PRIMARY GOVERNMENT	$ 214,887,738	$ 31,914,031	$ 190,491,277

Data Control Codes	
	General Revenues:
GC	Grants & Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local & Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment (Note R)
NE	Net Position - Ending

The accompanying notes are an integral part of this basic financial statement.

Net (Expense) Revenue and Changes in Net Position
Total Governmental Activities
$ 26,854
10,320
3,744,050
44,167
-
36,042
1,089,841
61,319
908,454
(74,210)
1,169,435
(39,464)
537,412
-
3,350
$ 7,517,570
843,176
101,897
67,627
1,012,700
8,530,270
(2,812,548)
6,313
$ 5,724,035

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2022

Data Control Codes		10 General Fund	Special Revenue Fund	50 Debt Service Fund	98 Total Governmental Funds
	ASSETS				
1110	Cash	$ 1,991,528	$ -	$ -	$ 1,991,528
1120	Temporary Investments - Current	10,902,727	253,895	-	11,156,622
1240	Due from Other Governments	1,395,476	19,798,264	-	21,193,740
1250	Accrued Interest Receivable	10,984	-	-	10,984
1260	Due from Other Funds	7,087,889	-	-	7,087,889
1410	Unrealized Expenditures	312,898	612,271	-	925,169
1000	Total Assets	$ 21,701,502	$ 20,664,430	$ -	$ 42,365,932
	LIABILITIES				
2110	Accounts Payable	$ 748,313	$ 3,367,410	$ -	$ 4,115,723
2150	Payroll Deductions and Withholdings Payable	509,402	-	-	509,402
2160	Accrued Wages Payable	84,261	20,672	-	104,933
2170	Due to Other Funds	-	7,087,889	-	7,087,889
2180	Due to Other Governments	160,991	9,859,740	-	10,020,731
2300	Unearned Revenues	1,478,739	328,719	-	1,807,458
2000	Total Liabilities	$ 2,981,706	$ 20,664,430	$ -	$ 23,646,136
	FUND BALANCES				
3430	Nonspendable Fund Balance - Prepaids	$ 312,898	$ -	$ -	$ 312,898
	Committed For:				
3545	Building Improvements	3,650,000	-	-	3,650,000
3545	Research & Development	4,200,790	-	-	4,200,790
3545	Online Professional Development	1,000,000	-	-	1,000,000
3545	New Phone System/Other Technology	1,500,000	-	-	1,500,000
3545	Fiber Consortium - UPS Devices	300,000	-	-	300,000
3545	Research & Develop Tech Enhancement Assessments	733,275	-	-	733,275
3545	ESSER Shared Service Arrangement Fees	421,000	-	-	421,000
3545	Furniture for Spring Valley Renovations	1,500,000	-	-	1,500,000
3600	Unassigned Fund Balance	5,101,833	-	-	5,101,833
3000	Total Fund Balances	$ 18,719,796	$ -	$ -	$ 18,719,796
4000	Total Liabilities and Fund Balances	$ 21,701,502	$ 20,664,430	$ -	$ 42,365,932

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2022

	Total Fund Balances - Governmental Funds	$	18,719,796
1	The Center uses an internal service fund to charge the costs of certain activities, such as self-insurance, printing/copying, technology infrastructure, housing and capital maintenance to appropriate functions in other funds. The assets, deferred outflows of resources, liabilities and deferred inflows of resources 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.		1,568,370
2	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets at year-end consist of gross capital assets of $33,795,520 less related accumulated depreciation of $8,816,731. The net effect is to increase net position.		24,978,789
3	Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of compensated absences. The net effect is to decrease net position.		(182,022)
4	The Center's net pension liability and related deferred outflows and inflows related to GASB Statement No. 68 are not due and payable in the current period and, therefore, are not reported in the funds. At year-end, these items consist of deferred outflows for pension related items $5,057,710 less net pension liability $8,239,351 less deferred inflows for pension related items $9,528,529. The net effect is to decrease net position.		(12,710,170)
5	The Center's net other post-employment benefit (OPEB) liability and related deferred outflows and inflows related to GASB Statement No. 75 are not due and payable in the current period and, therefore, are not reported in the funds. At year-end, these items consist of deferred outflows for OPEB related items $4,011,862 less net OPEB liability $17,880,305 less deferred inflows for OPEB related items $12,782,285. The net effect is to decrease net position.		(26,650,728)
19	**Net Position of Governmental Activities**	$	5,724,035

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		10 General Fund	Special Revenue Fund	50 Debt Service Fund	98 Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 31,351,810	$ 3,166,156	$ -	$ 34,517,966
5800	State Program Revenues	2,486,636	31,657,155	-	34,143,791
5900	Federal Program Revenues	1,824,330	157,681,599	-	159,505,929
5020	Total Revenues	35,662,776	192,504,910	-	228,167,686
	EXPENDITURES:				
	Current:				
0011	Instruction	2,898,154	2,113,205	-	5,011,359
0012	Instructional Resources & Media Services	1,999,440	200,000	-	2,199,440
0013	Curriculum & Instructional Staff Development	9,540,656	92,551,226	-	102,091,882
0021	Instructional Leadership	17,112	464,275	-	481,387
0031	Guidance, Counseling & Evaluation Services	-	431,527	-	431,527
0033	Health Services	113,829	553,323	-	667,152
0041	General Administration	3,969,815	81,453	-	4,051,268
0051	Facilities Maintenance and Operations	980,805	650,554	-	1,631,359
0053	Data Processing Services	5,788,343	1,112,782	-	6,901,125
0061	Community Services	53,418	-	-	53,418
0062	School District Administrative Support Services	3,370,155	142,627	-	3,512,782
	Debt Service:				
0071	Principal on Long-Term Debt	-	-	2,301,510	2,301,510
0072	Interest on Long-Term Debt	-	-	39,464	39,464
	Capital Outlay:				
0081	Facilities Acquisition & Construction	2,089,678	-	-	2,089,678
	Intergovernmental:				
0093	Payments to Member Districts of SSAs	-	47,002,881	-	47,002,881
0099	Other Governmental Charges	-	47,201,057	-	47,201,057
6030	Total Expenditures	30,821,405	192,504,910	2,340,974	225,667,289
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	4,841,371	-	(2,340,974)	2,500,397
	OTHER FINANCING SOURCES (USES):				
7915	Transfer from General Fund	-	-	2,209,585	2,209,585
7915	Transfer from Internal Service Fund	246,650	-	131,389	378,039
8911	Transfer to Debt Service Fund	(2,209,585)	-	-	(2,209,585)
7080	Total Other Financing Sources (Uses)	(1,962,935)	-	2,340,974	378,039
1200	Net Change in Fund Balances	2,878,436	-	-	2,878,436
0100	Fund Balance - September 1 (Beginning)	15,841,360	-	-	15,841,360
3000	Fund Balance - August 31 (Ending)	$ 18,719,796	$ -	$ -	$ 18,719,796

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2022

Total Net Change in Fund Balances - Governmental Funds	$	2,878,436
The Center uses internal service funds to charge the costs of certain activities, such as self-insurance, printing/copying, technology infrastructure, housing and capital maintenance to appropriate functions in other funds. The change in fund net position of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase the change in net position.		74,341
Current year capital outlays of $2,085,347 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide statements. Depreciation expense of $650,918 and losses on disposal of assets of $4,521 are not recognized as expense/other uses in governmental funds since it does not require the use of current financial resources. The net effect of these items is to increase the change in net position.		1,429,908
Current year principal payments are expenditures in the fund financial statements, but they should be shown as decreases to loans payable in the government-wide statements. The net effect of removing the principal payments is to increase the change in net position.		2,301,510
Changes in liabilities for compensated absences are not reflected in the fund financial statements, but are reported as increases and decreases in long-term liabilities of the government-wide statements. The net effect of the change in compensated absences liability is to increase the change in net position.		37,791
GASB 68 requires that net pension liability, deferred outflows of resources and deferred inflows of resources be adjusted yearly in accordance with data supplied by the Teacher Retirement System of Texas. The change in deferred outflows of resources ($1,175,149), net pension liability was $8,456,010, and deferred inflows of resources ($6,379,353). The net effect is to increase the change of net position.		901,508
GASB 75 requires that net OPEB liability, deferred outflows of resources and deferred inflows of resources be adjusted yearly in accordance with data supplied by the Teacher Retirement System of Texas. The change in deferred outflows of resources $1,011,831, net OPEB liability was ($470,636), and deferred inflows of resources $365,581. The net effect is an increase in the change of net position.		906,776
Change in Net Position of Governmental Activities	$	8,530,270

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
AUGUST 31, 2022

	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 1,892,018
Due from Other Governments	148,041
Unrealized Expenses	43,179
Total Current Assets	2,083,238
Long-Term Assets:	
Vehicles	92,343
Furniture and Equipment	828,060
Right-To-Use Equipment	545,634
Accumulated Depreciation on Vehicles	(42,717)
Accumulated Depreciation on Furniture and Equipment	(494,695)
Accumulated Depreciation on Right-To-Use Equipment	(167,366)
Total Long-Term Assets	761,259
Total Assets	2,844,497
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Teacher Retirement System - Pension	79,007
Deferred Outflows Related to Teacher Retirement System - OPEB	60,889
Total Deferred Outflows of Resources	139,896
LIABILITIES	
Current Liabilities:	
Accounts Payable	322,997
Due to Other Governments	27,392
Right-To-Use Lease Liability, Current Portion	149,003
Accrued Interest Payable on Right-To-Use Lease Liability	9,851
Accrued Expenses	6,416
Total Current Liabilities	515,659
Long-Term Liabilities:	
Right-To-Use Lease Liability, Long-Term Portion	159,639
Net Pension Liability	139,915
Net OPEB Liability	273,754
Total Long-Term Liabilities	573,308
Total Liabilities	1,088,967
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Teacher Retirement System - Pension	131,893
Deferred Inflows Related to Teacher Retirement System - OPEB	195,163
Total Deferred Inflows of Resources	327,056
NET POSITION	
Investment in Capital Assets	452,617
Unrestricted	1,115,753
Total Net Position	$ 1,568,370

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2022

	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 4,020,911
Total Operating Revenues	4,020,911
OPERATING EXPENSES:	
Payroll Costs	1,208,050
Professional and Contracted Services	1,507,169
Supplies and Materials	226,590
Other Operating Costs	419,015
Depreciation	261,963
Total Operating Expenses	3,622,787
Operating Income	398,124
NON-OPERATING EXPENSES:	
Interest Expense - Leases	13,854
Total Non-Operating Expenses	13,854
Income Before Other Sources (Uses)	384,270
OTHER SOURCES (USES):	
Sale of Surplus Equipment	821
Insurance Proceeds - Damage from Hail Storms	67,627
Loss on Disposal of Assets	(338)
Transfer to General Fund	(246,650)
Transfer to Debt Service Fund	(131,389)
Change in Net Position	74,341
Net Position - September 1 (Beginning)	1,487,716
Prior Period Adjustment - Leases GASB 87 (Note R)	6,313
Net Position - August 31 (Ending)	$ 1,568,370

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED AUGUST 31, 2022

		Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from User Charges	$	502,794
Cash Received from Interfund Services Provided		3,487,581
Cash Payments to Employees for Services		(1,208,050)
Cash Payments for Suppliers		(2,018,291)
Net Cash Provided by Operating Activities		764,034
Cash Flows from Non-Capital Financing Activities:		
Transfers Out		(378,039)
Net Cash (Used) for Non-Capital Financing Activities		(378,039)
Cash Flows from Capital & Related Financing Activities:		
Acquisitions of Capital Assets		(5,801)
Principal Payments for Right-To-Use Lease Liabilities		(196,412)
Interest Expense		(7,169)
Insurance Proceeds - Damage from Hail Storms		67,627
Proceeds on Sale of Capital Assets		2,585
Loss on Disposal of Capital Assets		(338)
Net Cash (Used) for Capital & Related Financing Activities		(139,508)
Net Increase in Cash and Cash Equivalents		246,487
Cash and Cash Equivalents - Beginning of Year		1,645,531
Cash and Cash Equivalents - End of Year	$	1,892,018
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	$	398,124
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		261,963
Effect of Increases and Decreases in Assets, Deferred Outflows of Resources, Liabilities & Deferred Inflows of Resources:		
(Increase) in Receivables		(30,536)
Decrease in Unrealized Expenses		88,139
Decrease in Deferred Outflows of Resources		7,106
Increase in Accounts Payable		71,528
(Decrease) in Net Pension Liability		(121,755)
Increase in Net OPEB Liability		5,597
Increase in Deferred Inflows of Resources		83,868
Net Cash Provided by Operating Activities	$	764,034

Noncash Capital and Related Financing Activities:

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2022

	Kathleen Boswell Scholarship Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ 16,250	$ 3,130
Total Assets	16,250	3,130
NET POSITION		
Restricted for:		
Scholarships	16,250	-
Individuals, organizations and other governments	-	3,130
Total Net Position	$ 16,250	$ 3,130

The accompanying notes are an integral part of this basic financial statement.

EDUCATION SERVICE CENTER REGION 10
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED AUGUST 31, 2022

	Kathleen Boswell Scholarship Private-Purpose Trust Fund	Custodial Fund
ADDITIONS		
Gifts and Contributions	$ 8,465	$ 7,491
Total Additions	8,465	7,491
DEDUCTIONS		
Scholarships	750	-
Supplies and Materials	-	10,847
Food and Refreshments	-	4,418
Total Deductions	750	15,265
Change in Net Position	7,715	(7,774)
Net Position - Beginning of Year	8,535	10,904
Net Position - End of Year	$ 16,250	$ 3,130

The accompanying notes are an integral part of this basic financial statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Board of Directors (the "Board") is elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Education Service Center Region 10 (the Center) is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement 14, as amended by GASB Statement No's. 39 and 61. There are no component units included within the reporting entity.

The Center is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Center prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in ***Statement on Auditing Standards No. 69*** of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

New Pronouncements

During fiscal year 2021-2022, the Center adopted GASB Statement No. 87 *Leases.* The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

GOVERNMENTAL FUNDS

General Fund (Major Fund) **-** The Center accounts for financial resources used for general operations in this fund. Any unassigned fund balances are considered resources available for current operations.

Special Revenue Fund (Major Fund) **-** The Center uses a single special revenue fund to account for various educational grants where resources are restricted to or designated by a grantor. The Center budgets the special revenue fund on an annual basis and uses project accounting in order to maintain integrity for the various sources of funds.

Debt Service Fund (Major Fund) - The Center accounts for principal and interest payments related to borrowing for the Spring Valley construction renovations and are funded by transfers from the General Fund and the Internal Service Fund.

PROPRIETARY FUND

Internal Service Fund **-** The Center uses a single internal service fund to account for revenues and expenses for services provided to internal departments such as print shop, insurance, housing, capital maintenance, and technology infrastructure.

FIDUCIARY FUNDS

Trust Fund **–** The private-purpose trust fund is used to account for assets held by the Center in a trustee capacity. The Center uses a single private-purpose trust fund for scholarships for support staff to further their education.

Custodial Fund – The Center uses a single custodial fund to account for resources held for others in a custodial capacity. This Custodial fund consists of donations by employees to fund activities related to administrative assistants' appreciation day and flowers for employees and/or family who have lost a family member. A social committee comprised of employees make the decisions on how to spend the donations on these activities.

BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND FINANCIAL STATEMENT PRESENTATION

Government Wide Financial Statements **-** The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 Net Position and the Statement of Activities are government-wide financial statements. They report information on all Center non-fiduciary activities with most of the interfund activities removed. Although interfund activities have been removed, the interfund services provided and used are not eliminated in the process of consolidation. *Governmental activities* include programs supported primarily by program revenues such as fees to school districts for workshops and cooperatives participation, State and Federal grants, and other intergovernmental revenues. These governmental activities present a comparison between direct expenses and these program revenues for each function of the Center. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Center does not allocate indirect expenses in the Statement of Activities; indirect expenses are included in the program expense reported for individual functions. The Center has no *business-type activities* that rely, to a significant extent, on fees and charges for support. The Statement of Activities demonstrates how other entities, including school districts that participate in programs the Center operates, have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Center. Examples include services provided to school districts, tuition and fees, etc. The "grants and contributions" column includes amounts paid by organizations outside the Center to help meet the operational or capital requirements of a given function. Examples include grants/contracts under Every Student Succeeds Act and IDEA B. If revenue is not program revenue, it is general revenue used to support all of the Center's functions.

Governmental Funds Financial Statements **-** Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows or outflows of resources and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are mature (when due). The Center considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of services offered to school districts and 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.

If revenues received from State funds exceed the related expenditures, the excess of revenues over expenditures is recorded as unearned revenue for that fund. Federal revenues are recognized as the expenditures are incurred. If balances have not been expended by the end of the project period, grantors sometimes require the Center to refund all or part of the unused allocations.

The Center considers the general fund, special revenue fund and debt service fund as major funds and reports their financial condition and results of operations separately.

Proprietary Fund **-** The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus and utilizes the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the Statement of Net Position. The fund net position is segregated into Investment in Capital Assets and Unrestricted.

The proprietary fund distinguishes 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 are non-operating.

Fiduciary Funds **–** The private-purpose trust fund and the custodial fund are accounted for using the economic resources measurement focus and the accrual basis of accounting. Since the resources in the fiduciary funds are in a trustee or custodial capacity and cannot be used for Center operations, they are not included in the government-wide statements.

OTHER POLICIES

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

2. The Center has included detail of receivables in Note C but feels sufficient detail for payable balances are provided in the financial statements to avoid the obscuring of significant components by aggregation. There are no significant receivables that are not scheduled for collection within one year of year-end.

3. In the governmental funds, supplies are recorded as expenditures when they are purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as unrealized expenditures in the governmental funds and as unrealized expenses in the government-wide financial statements using the purchases method.

4. In the government-wide financial statements and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position.

5. Those employees exempt under the Fair Labor Standards Act are not eligible to receive payment of accrued vacation days when exiting employment from the Center. Non-exempt employees are paid for any unpaid vacation when exiting employment from the Center. The Center’s unused vacation liability for all eligible employees as of August 31, 2022 was $182,022. This balance is calculated by taking each eligible employee’s vacation balance, in days, times his or her daily rate. Based on evaluation, Center’s management determines that 5% of this amount should be classified as a current liability.

6. Capital assets, which include land, buildings, furniture and equipment and leased equipment are reported in the applicable governmental type activities column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of $5,000 or more and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value on the date of donation.

   a. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

b. Buildings, building improvements, furniture and equipment, vehicles and leased equipment of the Center are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	45
Building Improvements	20
Furniture & Equipment	5-20
Vehicles	5
Right-to-Use Leased Assets	2-5

7. During the year ended August 31, 2022, employees of the Center were covered by a "Cafeteria Plan" under Section 125 of the Internal Revenue Code of 1954. The Plan covers salary reduction for medical and dental insurance, life insurance and dependent care. Each month the Center contributed the employee-only costs for the lowest level plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to licensed insurers. The Plan was authorized by Section 21.922, Texas Education Code, or Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

8. In the General Fund, the non-spendable portion of fund balance on Exhibit C-1 equals the unrealized expenditures included in assets that do not represent expendable available financial resources. Commitments are self-imposed legal constraints of fund balance to be utilized for specific purposes by the Center through board vote, the highest level of decision-making authority. Committed fund balance is reported pursuant to Board approval as well as any modifications or rescindments of those commitments. Assigned fund balance is the intent to use resources that are neither restricted nor committed for a specific purpose and are earmarked by the Executive Director of the Center. Unassigned fund balance is the residual classification of the General Fund after non-spendable, restrictions, commitments and assignments are made; it is the spendable portion of the general fund balance.

9. When the Center incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used. Of the unrestricted assets, the Center uses commitments first, before any unassigned amounts.

10. The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires the Center to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet. These amounts are expected to be paid and/or received within the next year.

12. The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

13. The valuation of investments for those funds invested in TexPool and Lone Star are the same as the value of the Pool's shares. The valuation of investments for those funds invested in U.S. Treasury Notes is calculated at current market value as of August 31, 2022.

14. Unearned revenues are payments received in 2021-2022 or prior from school districts or charter schools for services to be performed in future years as well as prepayments of certain local special revenue funds received prior to August 31, 2022. Any unearned revenue in 2021-2022 will be reported as revenue in future years.

15. Encumbrances for goods or services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The Center has elected to cancel all outstanding encumbrances at year-end for the General Fund and be re-established as new encumbrances in the following year, if needed. For the Special Revenue Fund, encumbrances not canceled at year-end are either transferred to the subsequent year's budget or set up as new encumbrances in the following year, if applicable.

COMPLIANCE AND COMPATIBILITY

1. Finance-Related Legal and Contractual Provisions

   There were no finance-related legal and contractual provisions as of August 31, 2022.

2. Deficit Fund Balance or Net Position of Individual Funds

   There were no funds having deficit fund balances or fund net position as of August 31, 2022.

INTERFUND ACTIVITY

Interfund activities within governmental funds appear as due from/due to on the Governmental Fund Balance Sheet and as other resources/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 Fund Net Position. Although all duplicated interfund transactions among governmental funds and between governmental funds and the proprietary fund are eliminated on the government-wide statements, the underlying revenue/expense for the services remains the same.

PENSIONS

The fiduciary net position of the Teacher Retirement System of Texas (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.

On the Statement of Activities, pension expense is allocated to various functions based on the amount of employer contributions for each function. The employer contributions consist of federal grants, reporting entity public education, new members and any pension surcharge for reported retirees.

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 is a pay-as-you-go plan and all cash is held in a cash account.

On the Statement of Activities, OPEB expense is allocated to various functions based on the amount of employer contributions for each function. The employer contributions consist of federal grants, TRS-Care and any OPEB surcharge for reported retirees.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources until then. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources until then.

GASB Statement No. 68 "Accounting and Financial Reporting for Pensions" went into effect during the 2014-2015 year. Part of the statement refers to recording a deferred outflow and a deferred inflow of resources as it pertains to the net pension liability.

GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension" went into effect during the 2017-2018 year. Part of the statement refers to recording a deferred outflow and a deferred inflow of resources as it pertains to the other post-employment benefits liability.

See Notes J and K below for further detail.

B. DEPOSITS AND INVESTMENTS

During October 2021, the Center's depository bank, BBVA Compass, was purchased by PNC Bank. Any outstanding letters of credit used to secure the Center's deposits with BBVA Compass Bank during the conversion were honored by PNC Bank until their expiration.

The funds of the Center (including governmental, proprietary and fiduciary funds) must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law.** From September 1, 2021 to mid-December 2021, letters of credit were issued to protect Center funds on a day-to-day basis, as allowed by the Public Funds Investment Act. Starting mid-December after the letters of credit expired, PNC Bank placed approved pledged securities for safekeeping and trust with the Center's agent bank in an amount sufficient to protect Center funds. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The **Public Funds Investment Act** (Government Code Chapter 2256) 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, (9) and 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; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Center to have an independent auditor 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.

Statutes authorize the Center to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by Chapter 2256 Public Funds Investment Act and Chapter 2257 Collateral for Public Funds of the Government Code. The Center's local investment policy identifies what investments the Board of Directors have approved for the Center.

The Center's cash deposits at August 31, 2022, were entirely covered by pledged securities and FDIC insurance. The deposits were collateralized in accordance with Texas Law and were properly secured at all times.

A portion of the Center's temporary cash investments consist of balances held by Texas Local Government Investment Pool (TexPool) and Lone Star Investment Pool (Lone Star), public funds investment pools, as allowed by Center policy and in accordance with the Public Funds Investment Act of the Texas Education Code, Chapter 2256. The State Comptroller of Public Accounts and the Texas Association of School Boards exercise oversight responsibility over TexPool and Lone Star, respectively. Oversight includes the ability to significantly influence operations, designation of management, and accountability of fiscal matters. The largest investment balances the Center had with TexPool was $32,709,368 on December 31, 2021, and Lone Star was $2,598,895 on August 31, 2022.

During the year, a $2,000,000 certificate of deposit with Dallas Capital Bank matured on January 28, 2022 and the principal was reinvested in a new 6-month certificate of deposit that matured July 29, 2022. The principal amount was reinvested in a new 12-month certificate of deposit that will mature on July 31, 2023. In June, the Center also purchased a $2,000,000, 12-month CD that will mature on June 14, 2023. These outstanding certificates of deposit are both fully collateralized at year-end with a letter of credit from Federal Home Loan Bank of Dallas as well as FDIC insurance.

Below is the detail of activity for the certificates of deposit during the year:

	Interest Rate	Maturity Date	Beginning Balance	Purchased/ Annual Interest	Matured	Ending Balance
Dallas Capital Bank						
Certificate of Deposit	0.20%	1/28/2022	$2,000,000	$ -	$(2,000,000)	$ -
Certificate of Deposit	0.15%	7/29/2022	-	2,000,000	(2,000,000)	-
Certificate of Deposit	1.69%	6/14/2023	-	2,000,000	-	2,000,000
Certificate of Deposit	1.98%	7/31/2023	-	2,000,000	-	2,000,000
Total Dallas Capital Bank			$2,000,000	$6,000,000	$(4,000,000)	$4,000,000

The Center's temporary investments in TexPool, Lone Star and Dallas Capital Bank as of August 31, 2022, are shown below:

Name	Carrying Amount	Fair Value	Weighted Avg. Maturity	Category
TexPool	$ 4,557,727	$ 4,557,757	1 Day	Not Categorized
Lone Star	2,598,895	2,598,895	1 Day	Not Categorized
CD - Current	2,000,000	2,000,000	286 Days	Not Categorized
CD - Current	2,000,000	2,000,000	333 Days	Not Categorized
Total	$11,156,622	$11,156,622		

The Center categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Center's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The fair value of the certificates of deposit as of August 31, 2022 were determined based on Level 2 inputs. The Center estimates the fair value of the certificates of deposit using inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Lone Star Investment Pool and TexPool Investment Pool balances are valued at net asset value per unit/share.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "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 participates in the following public funds investment pools:

a. Lone Star Investment Pool

   The Lone Star Investment Pool ("Lone Star") is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's. The Center is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of $1.00 per unit. Lone Star has three different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of $1.00 per unit and the Corporate Overnight Plus maintains a net asset value of $0.50 per unit.

b. TexPool Investment Pool

The Texas Local Government Investment Pool ("TexPool Portfolios") is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the TexPool Portfolios. Pursuant to the TexPool Participation Agreement, administrative and investment services to the TexPool Portfolios are provided by Federated Investors, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in the TexPool Portfolios and other persons who do not have a business relationship with the TexPool Portfolios who are qualified to advise the TexPool Portfolios. The TexPool Portfolios are comprised of two investment alternatives: TexPool (which the Center is invested in) and TexPool Prime. Both funds seek to maintain a net asset value of $1.00 value per unit and both are rated AAAm by Standard & Poor's.

GASB Statement No. 40 requires a determination as to whether the Center was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other 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. The Center's policy is that prior to handling investments on behalf of the Center, brokers/dealers must submit required written documents in accordance with law. Representatives of brokers/dealers shall be registered with the Texas State Securities Board and must have membership in the Securities Investor Protection Corporation (SIPC) and be in good standing with the National Association of Securities Dealers. At year-end, the Center was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Center's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Center's name. It is the Center's policy to retain receipts providing proof of the Center's ownership. At year-end, the Center was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single user. At year-end, the Center was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. According to the Center's investment policy, direct investments shall be purchased with the intent to hold to maturity as the primary method of controlling interest rate risk. To further reduce exposure to changes in interest rates that could adversely affect the value of investments the Center shall use final and weighted average maturity limits and diversification. The Center shall monitor interest rate risk using weighted average maturity and specific identification. Because it is the Center's policy to hold to maturity, the Center was not exposed to interest rate risk at year-end.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the Center was not exposed to foreign currency risk.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

a. Depository: BBVA Compass Bank – Dallas until mid-October 2021; PNC Bank – Dallas beginning mid-October

b. Time Deposits (CD's): Dallas Capital Bank

c. For BBVA Compass Bank/PNC Bank, the highest combined balances of cash amounted to $8,529,484 and occurred during the month of December 2021. For Dallas Capital Bank, the highest balance of the time deposit account was $4,000,000 and occurred during the month of August 2022.

d. As of the date of the highest combined balances, the Center had $8,750,000 in letters of credit with BBVA Compass Bank/PNC Bank and $4,060,000 with Dallas Capital Bank.

e. In addition to the letters of credit, the total amount of FDIC coverage at the time of the highest combined balance at BBVA Compass Bank/PNC Bank and Dallas Capital Bank was $250,000 each.

C. DUE FROM OTHER GOVERNMENTS

At the end of the year, the Center had receivables due from other governments for services provided to school districts and charter schools and receivables due from the state or federal government for grant reimbursements. The amounts due from other governments as of August 31, 2022 consisted of the following:

Entity	Amount
Due from School Districts/Charter Schools/ESCs	$ 2,219,276
Due from Texas Education Agency	17,346,507
Due from Other Governments (Head Start, Texas Dept. of Ag, USDE)	1,507,153
Due from Other Entities (Individuals, Other)	268,845
Total	$21,341,781

D. INTERFUND RECEIVABLES AND PAYABLES

At the end of the year, there were interfund receivables and payables between individual fund balances. Cash in the General Fund was used to offset the negative cash in the Special Revenue Fund of $7,087,889 for reporting purposes. The interfund receivables and payables as of August 31, 2022 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$7,087,889	$ -
Special Revenue Fund	-	7,087,889
Total	$7,087,889	$7,087,889

Interfund balances have been eliminated for the government-wide financial statements.

E. UNREALIZED EXPENDITURES

The unrealized expenditures consist of payments made in the current or prior years that will be recognized as expenditures in future years. The unrealized expenditures for the Center as of August 31, 2022, which totaled $968,348, were as follows:

	General Fund	Special Revenue Fund	Internal Service Fund	Total
Fingerprinting Services	$ 7,562	$ 195	$ -	$ 7,757
Instructional Supplies	-	65,805	-	65,805
Postage	9,213	-	-	9,213
Registration/Travel	1,189	8,159	-	9,348
Rental of Equipment/Facilities	38,250	2,356	266	40,872
Software	132,567	5,461	-	138,028
Subscriptions/Licenses	121,954	164,504	42,913	329,371
Technology Equipment	-	360,736	-	360,736
Other	2,163	5,055	-	7,218
Total	$312,898	$612,271	$43,179	$968,348

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the Center for the year ended August 31, 2022, was as follows:

Governmental Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Not Being Depreciated:				
Land	$ 785,863	$ -	$ -	$ 785,863
Construction Work in Progress	69,692	2,085,347	-	2,155,039
Total Capital Assets Not Being Depreciated	855,555	2,085,347	-	2,940,902
Capital Assets Being Depreciated:				
Governmental Capital Assets:				
Building and Improvements	29,726,744	-	-	29,726,744
Furniture and Equipment	1,235,424	-	(107,550)	1,127,874
Total Governmental Capital Assets Being Depreciated, at Historical Cost	30,962,168	-	(107,550)	30,854,618
Less Accumulated Depreciation:				
Building and Improvements	7,143,891	620,902	-	7,764,793
Furniture and Equipment	1,124,950	30,016	(103,028)	1,051,938
Total Accumulated Depreciation	8,268,841	650,918	(103,028)	8,816,731
Total Governmental Capital Assets Being Depreciated, Net	22,693,327	(650,918)	(4,522)	22,037,887
Internal Service Fund Capital Assets:				
Vehicles	92,343	-	-	92,343
Furniture and Equipment	828,740	5,801	(6,481)	828,060
Right-To-Use Leased Assets	728,934	343,965	(527,265)	545,634
Total Internal Service Fund Capital Assets Being Depreciated, at Historical Cost	1,650,017	349,766	(533,746)	1,466,037
Less Accumulated Depreciation:				
Vehicles	24,248	18,469	-	42,717
Furniture and Equipment	392,184	108,992	(6,481)	494,695

Governmental Activities:	Beginning Balance	Additions	Retirements	Ending Balance
Right-To-Use Leased Assets	527,525	134,502	(494,661)	167,366
Total Accumulated Depreciation	943,957	261,963	(501,142)	704,778
Total Internal Service Fund Capital Assets Being Depreciated, Net	706,060	87,803	(32,604)	761,259
Governmental Activities Capital Assets, Net (Total of Governmental Capital Assets & Internal Service Fund Capital Assets)	$24,254,942	$ 1,522,232	$ (37,126)	$25,740,048

Depreciation expense was charged to governmental functions as follows:

	Governmental Funds	Internal Service Fund	Total
Instruction	$ 65,250	$ -	$ 65,250
Instructional Resources and Media Services	56,622	134,571	191,193
Curriculum and Instructional Staff Development	328,020	-	328,020
Instructional Leadership	4,141	-	4,141
General Administration	53,634	-	53,634
Facilities Maintenance and Operations	25,402	27,406	52,808
Data Processing Services	92,637	99,986	192,623
School District Administrative Support Services	25,212	-	25,212
Total	$650,918	$261,963	$912,881

G. COMMITMENTS UNDER RIGHT-TO-USE LEASED ASSETS

The Center implemented GASB Statement NO. 87 *Leases* during the 2021-2022 year. All of the Center's right-to-use lease liabilities are in the internal service fund's Print Center and are comprised of copiers and related equipment. Detail of each right-to-use lease liabilities follows:

- Xerox Production Equipment:
  - ✓ Lease Term: January 1, 2017 – December 31, 2021
  - ✓ Monthly Payments: $8,245
  - ✓ Borrowing Interest Rate: 3.607%

- Canon Production Equipment:
  - ✓ Lease Term: March 1, 2019 – February 28, 2024 (lease termed early on December 31, 2021 due to new equipment/lease)
  - ✓ Annual Payment: $16,715
  - ✓ Implied Interest Rate: 5.4102%

- Canon Cutter:
  - ✓ Lease Term: May 1, 2019 – April 30, 2024
  - ✓ Monthly Payments: $266
  - ✓ Borrowing Interest Rate: 3.607%

- Plockmatic Finisher:
  - ✓ Lease Term: January 1, 2020 – December 31, 2024
  - ✓ Annual Payment: $23,178
  - ✓ Implied Interest Rate: 5.4102%

- Canon Walk-up Copiers:
  - ✓ Lease Term: February 1, 2020 – January 31, 2025
  - ✓ Monthly Payments: $1,276
  - ✓ Borrowing Interest Rate: 3.607%

- Quadient Folder/Stuffer:
  - ✓ Lease Term: September 1, 2020 – December 31, 2022
  - ✓ Monthly Payments: $372
  - ✓ Borrowing Interest Rate: 3.607%

- Canon Copying Equipment:
  - ✓ Lease Term: March 1, 2022 – February 28, 2025
  - ✓ Annual Payment: $123,024
  - ✓ Implied Interest Rate: 7.2405%

The following is a schedule of future minimum payments remaining under the right-to-use lease liabilities as of August 31, 2022.

Year Ending August 31,	Principal Amount	Interest Amount
2023	$149,003	$15,420
2024	153,316	5,238
2025	6,323	57
Total	$308,642	$20,715

As shown in Note F, the Center's right-to-use leased assets was $545,634 as of August 31, 2022. The accumulated depreciation on these assets was $167,366, resulting in a net book value of 378,268.

H. LONG-TERM LOAN PAYABLE

In March 2020, the Center entered into a ten-year loan agreement with Dallas Capital Bank to help finance the training rooms renovations at the Spring Valley building. The beginning loan amount was $2,637,620 and had a fixed interest rate of 3.607%. The interest rate was based on the 5-year Treasury rate plus 150 basis points at the time of entering the agreement.

During the year, the Center paid $2,301,510 in principal and $39,464 in interest and in February 2022, paid off the remaining balance of the loan. This was accounted for in the Debt Service Fund.

I. CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended August 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	$ 219,812	$ 33,601	$ (71,391)	$182,022	$ 9,101
Loan Payable	2,301,510	-	(2,301,510)	-	-
Right-To-Use Lease Liabilities	191,931	343,965	(227,254)	308,642	149,003
Total Governmental Activities Long-Term Liabilities	$2,713,253	$377,566	$(2,600,155)	$490,664	$158,104

For long-term liabilities other than debt, the General Fund and Special Revenue Fund are used to pay these liabilities.

J. DEFINED BENEFIT PENSION PLAN

Plan Description – The Center (employer) participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Board of Trustees of the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is 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 pensions' 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

At August 31, 2021 (fiscal year ending 2022 is not available), the number of participating entities in the TRS were 1,344 which consisted of public school districts, charter schools, community and junior colleges, senior colleges and universities, regional service centers, medical schools, other education districts and a state agency. Total membership at this same time was 1,682,708.

Pension Plan Fiduciary Net Position - Detail 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 TRS' website; 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 2021 Annual Comprehensive Financial Report for TRS is the following information regarding the Pension Plan fiduciary net position as of August 31, 2021.

Net Pension Liability	Total
Total Pension Liability	$ 227,273,463,630
Less: Plan Fiduciary Net Position	(201,807,002,496)
Net Pension Liability	$ 25,466,461,134
Net Position as Percentage of Total Pension Liability	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 5 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 5 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 the 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.

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.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' 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 this manner are determined by the System's actuary.

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 2019 thru 2024.

	Contribution Rates and Amounts		
	2020	2021	2022
Member (Employees)	7.70%	7.70%	8.00%
Employer (Center)	7.50%	7.50%	7.75%
Non-Employer Contributing Entity (NECE) – State	7.50%	7.50%	7.75%

2022 Member Contributions	$2,514,784
2022 Employer Contributions	$1,591,442
2021 NECE On-Behalf Contributions	$1,149,926

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.

As the non-employer contributing entity, 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. All participating employers and the State of Texas, as the employer for senior universities and medical 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, private, local or non-educational and general funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- All public schools, charter schools and regional education service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions – The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions (which are the same assumptions used in the actuarial valuation as of August 31, 2020):

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 31, 2020	1.95%
Last year ending August 31 Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc Post-employment Benefit Changes	None

Discount Rate – A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single 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 legislative 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 these 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.

The long-term expected rate of return on pension plan investments is 7.25%. 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. 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, 2021 are summarized below:

Asset Class	Target * Allocation %	Long-Term ** Expected Geo-metric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return (Including Credit Sensitive Investments)	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0)%	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ***			(0.95)%
Expected Return	100.0%		6.90%

* Target allocations are based on the FY 2021 policy model
** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)
*** 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 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
The Center's proportionate share of the net pension liability	$18,310,026	$8,379,266	$322,405

Change of Assumptions Since the Prior Measurement Date – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

Change of Benefit Terms Since the Prior Measurement Date – There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – As of August 31, 2022, the Center reported a liability of $8,379,266 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:

	Amount
The Center's proportionate share of the collective net pension liability	$8,379,266
The State's proportionate share that is associated with the Center	6,862,267
Total	$15,241,533

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Center's proportion of the net pension liability was based on the Center's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

As of August 31, 2021, the Center's proportion of the collective net pension liability was 0.0329031%, an increase of 3.92% from its proportionate share of 0.0316611% as of August 31, 2020.

For the year ended measurement period August 31, 2021, the Center recognized pension expense of $27,434 and revenue of $1,149,926 for support provided by the State.

As of August 31, 2022, 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
Difference between expected and actual economic experience	$ 14,022	$ 589,907
Changes in actuarial assumptions	2,961,907	1,291,137
Net difference between projected and actual investment earnings	-	7,025,906
Changes in proportion and difference between the Center's contributions and the proportionate share of contributions	569,346	753,474
Contributions paid to the TRS subsequent to measurement date	1,591,442	-
Total	$5,136,717	$9,660,424

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

Year Ended August 31,	Pension Expense Amount
2023	$(1,185,345)
2024	(1,197,192)
2025	(1,655,955)
2026	(2,103,142)
2027	14,233
Thereafter	12,252

As of August 31, 2022, the Center recorded a payable of $390,000 for the outstanding amount of non-TRS Care contributions to the pension plan required for August 2022.

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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 Texas Legislature established the TRS-Care program in 1986. The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with the 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.

As of August 31, 2021 (fiscal year ending 2022 is not available), the number of participating employers in the TRS-Care program were 1,235 which consisted of independent school districts, open enrollment charter schools, regional service centers and other educational districts.

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 TRS' website; 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, 2021 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	$41,113,711,083
Less: Plan Fiduciary Net Position	(2,539,242,470)
Net OPEB Liability	$38,574,468,613
Net Position as Percentage of Total OPEB Liability	6.18%

Benefits Provided – TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. 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.

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 $271,311,000 as of August 31, 2021.

The premium rates for retirees are reflected in the following table:

2021 TRS-Care Plan Monthly 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 participating employers based on active employee compensation. 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 rate, which is .65% of salary. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% of the salary of each active employee. The actual employer contribution rate is prescribed by the Legislature in the General

Appropriations Act, which is .75% of each active employee's pay for fiscal year 2021. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates and Amounts		
	2020	2021	2022
Member (Center Employees)	0.65%	0.65%	0.65%
The Center	0.75%	0.75%	0.75%
Non-Employer Contributing Entity (NECE) – State	1.25%	1.25%	1.25%
Federal/Private Funding Remitted by the Center	1.25%	1.25%	1.25%

2022 Member Contributions	$204,111
2022 Center Contributions	$404,743
2021 NECE On-Behalf Contributions	$492,588

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of $535 per month when employing a retiree of the TRS.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide $2,208,137 for fiscal year 2020 and $3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding for both years was in fiscal year 2021.

Actuarial Assumptions – The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021.

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. All the demographic assumptions, including rates of mortality, retirement, termination and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The active mortality rates were based on 90 percent 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. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases, Including Inflation	3.05% to 9.05%
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate – A single discount rate of 1.95% was used to measure the total OPEB liability. This was a decrease of 0.38% in the discount rate since the previous year. Because the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

Discount Rate Sensitivity Analysis – The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, .95% or one percentage point higher, 2.95%, than the AA/Aa rate. The source for the rate is the Fixe 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."

	1% Decrease in Discount Rate (.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
The Center's proportionate share of the net OPEB liability	$21,897,978	$18,154,059	$15,207,473

Health Care 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% less and 1% greater than the assumed healthcare cost trend rate.

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
The Center's proportionate share of the current health-care cost trend rate	$14,704,186	$18,154,059	$22,782,932

Change of Assumptions Since the Prior Measurement Date – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms that affected measurement of the total OPEB liability since the prior measurement period.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At August 31, 2022 the Center reported a liability of $18,154,059 for its proportionate share of the TRS' 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:

	Amount
The Center's proportionate share of the collective net OPEB liability	$18,154,059
The State's proportionate share that is associated with the Center	24,322,394
Total	$42,476,453

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Center's proportion of the net OPEB liability was based on the Center's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

As of August 31, 2021, the Center's proportion of the collective net OPEB liability was 0.0470624%, an increase of 1.20% compared to its proportionate share of 0.0465028% as of August 31, 2020.

For the year ended measurement period August 31, 2021, the Center recognized OPEB expense of $(897,682) and revenue of $492,588 for support provided by the State.

For the year ended August 31, 2022, the Center reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual economic experience	$ 781,618	$ 8,787,835
Changes in actuarial assumptions	2,010,775	3,839,248
Net difference between projected and actual investment earnings	19,710	-
Changes in proportion and difference between the Center's contributions and the proportionate share of contributions	855,905	350,365
Contributions paid to the TRS subsequent to measurement date	404,743	-
Total	$4,072,751	$12,977,448

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

Year Ended August 31,	OPEB Expense Amount
2023	$(1,821,276)
2024	(1,821,720)
2025	(1,821,599)
2026	(1,343,742)
2027	(696,793)
Thereafter	(1,804,310)

As of August 31, 2022, the Center recorded a payable of $57,963 for the outstanding amount of TRS-Care contributions to the pension plan required for August 2022.

L. LITIGATION

There is not any pending litigation as of August 31, 2022.

M. ON-BEHALF PAYMENTS

GASB Statement No. 24 affects school district/education service centers accounting for pensions. Direct payments made by a paying entity on behalf of a third-party recipient which relate to fringe benefits or salaries ("on-behalf payments"), must be recognized as revenues and expenditures/expenses by the recipient. As a result, payments (contributions) made by the state (the "paying entity") to the Teacher Retirement System of Texas (TRS) on behalf of a school district/education service center (a "third party") must be recorded as equal revenues and expenditures/expenses of the school district/education service center. The Center recognized on-behalf revenues and expenditures of $1,366,881, which is recorded in the General Fund.

The Medicare Modernization Act of 2003 created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy program, which were made available in 2006. TRS-Care is offering a Medicare Part D plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare D and the Retiree Drug Subsidy program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The amount allocated on behalf to the Center for the years ended August 31, 2022, 2021, and 2020 were $97,904, $123,625 and $117,003 respectively.

N. RISK MANAGEMENT

The Center is exposed to various risks of loss to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2022, the Center purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

During 2021-2022, the Center received $67,627 of insurance proceeds due to roof damage of the Spring Valley building caused by hailstorms. The repairs to the roof will be made in the 2022-2023 year.

O. SHARED SERVICES ARRANGEMENTS

To help districts operate more efficiently and effectively, the Center can enter into a Shared Service Arrangement (SSA) with a district, in which the Center is the fiscal agent. Under these SSA's, all services are provided by the fiscal agent. As the fiscal agent, the Center receives money on behalf of the district, and as the district incurs expenditures, the Center makes payments to the district. As mandated by the Texas Education Agency's *Financial Accountability System Resource Guide,* those payments are to be recorded in Function 93 "Payments to Fiscal Agent/Member District of Shared Service Arrangement" in various special revenue funds.

The Center was fiscal agent of the following SSA's during the year ended August 31, 2022:

Title I, Part A: Improving Basic Programs (Model 1) – to provide supplemental resources to LEAs to help schools with high concentrations of students from low-income families, high-quality education that will enable all children to meet the challenging state academic standards and supports campuses in implementing either a schoolwide or targeted assistance program.

Title I, Part C: Education of Migratory Children (Model 1) – to support high-quality and comprehensive educational programs and services during the school year and, as applicable, during the summer or intersession periods, that address the unique educational needs of migratory children; to ensure that migratory children who move among the states are not penalized in any manner by disparities among the states in curriculum, graduation requirements, and challenging state academic standards; to ensure that migratory children receive full and appropriate opportunities to meet the same challenging state academic standards that all children are expected to meet; to design programs to help migratory children overcome educational disruption, cultural and language barriers, social isolation, various health-related problems, and other factors that inhibit the ability of such children to succeed in school; and, to ensure that migratory children benefit from state and local systemic reforms.

Title II, Part A: Supporting Effective Instruction (Model 1) – to increase student academic achievement through improving teacher and principal quality and increasing the number of effective teachers in classrooms and qualified principals as assistant principals in schools and to hold LEAs and schools accountable for improving student academic achievement

Title III, Part A: English Language Acquisition, Language Enhancement and Academic Achievement (Model 1) – to provide supplemental resources to LEAs to help ensure that children who are English learners attain English proficiency at high levels in academic subjects and can meet the same challenging State academic standards that all children are expected to meet

Title III, Part A: Immigrant Children and Youth (Model 1) – to provide supplemental funds to LEAs who are experiencing substantial increases in immigrant children and youth for activities that provide enhanced instructional opportunities for immigrant children and youth

Title IV, Part A, Subpart 1: Student Support and Academic Enrichment (Model 1) – to improve the academic achievement of all students by increasing the capacity of LEAs, schools and communities to provide all students with access to a well-rounded education, improve school conditions for student learning, and improve the use of technology in order to enhance academic outcomes and digital literacy of students.

Elementary and Secondary School Emergency Relief (ESSER I) (Model 1) – authorized by the Coronavirus Aid, Relief and Economic Security or CARES Act, to provide education funding to prevent, prepare for, and respond to Covid-19.

Elementary and Secondary School Emergency Relief (ESSER II) (Model 1) – authorized by the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 or CRRSA Act, to provide education funding to prevent, prepare for, and responds to coronavirus.

Elementary and Secondary School Emergency Relief (ESSER III) (Model 1) – authorized by the American Rescue Plan Act of 2021 or ARP Act, to provide funding to help safely reopen and sustain the safe operation of schools and address the impact of the coronavirus pandemic on students.

Elementary and Secondary School Emergency Relief (ESSER Supplemental) (Model 1) – authorized by the 87th Texas Legislature, Regular Session and American Rescue Plan Act of 2021, to provide funding for additional resources to pay for unreimbursed costs due to the coronavirus pandemic and for intensive educational supports for students not performing satisfactorily.

Program	FASRG Model	Number of Member Districts	Member Districts	Fiscal Agent	Total
T1, Part A Improving Basic Programs	1	43	$11,616,436	$249,348	$11,865,784
T1, Part C Migrant	1	30	2,546	119,243	121,789
T2, Part A Support Effective Instruction	1	54	4,552,130	818,066	5,370,196
T3, Part A ELA/Immigrant	1	84	5,060,085	483,352	5,543,437
T4, Part A SSAE	1	45	1,117,513	71,943	1,189,456
ESSER I	1	32	618,514	15,473	633,987
ESSER II	1	26	7,177,791	142,099	7,319,890
ESSER III	1	25	12,255,566	291,195	12,546,761
ESSER Supplemental	1	7	1,875,133	99,450	1,974,583
			$44,275,714		
Non-SSA's Paid to Districts:					
Head Start, CRRSA			2,446,382		
State Supplemental Visually Impaired			243,566		
Non-Educational Community Services			37,219		
Total Paid to Districts			$47,002,881		

P. INSURANCE COVERAGE

Workers Compensation

During the year ended August 31, 2022, the Center met its statutory workers' compensation obligations through participation in the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher-than-expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2021 (2022 not yet available), the Fund carries a discounted reserve of $44,985,187 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2022, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

The total premium paid to TASB during 2021-2022 for workers compensation was $73,501 for full insurance coverage including claims administrative costs. The associated costs are accounted for in the Internal Service Fund and allocated to all funds. The total charge made by the Internal Service Fund to the other funds is based on rates as determined by the Center and will be adjusted over time so that the Internal Service Fund revenues and expenses are approximately equal. These costs are reported as interfund transactions and are treated as operating revenues in the Internal Service Fund and as operating expenditures in other funds.

Years ago, the Center terminated its agreement with Claims Administrative Services (CAS) to provide ongoing workers compensation coverage; however, the Center continues to be liable for any unpaid claims from prior years.

These prior year claims are paid by CAS, the third-party administrator, acting on behalf of the Center under terms of the contractual agreement. Administrative fees are included within the provisions of that agreement. According to the state statute, the Center is protected against unanticipated claims and aggregate loss by coverage carried through Midwest Employers Casualty Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific and aggregate occurrences exceeding $300,000. Pool participants are responsible for claims up to this limit. The Center pays CAS $600 per open claim per year for administrative costs going forward, plus the ongoing costs of the open claims. For prior years, the Center is still liable for its own claims' costs and its share of pool participants' claims costs, up to the Center's loss fund maximum for that prior year.

GASB Statement No. 10 establishes accounting and reporting standards for all insurance-related activities. CAS is a risk pool comprised of school districts and other education service centers to share in the cost of workers compensation claims. At the end of each fiscal year, CAS distributes a report detailing the total amount of unpaid claims. The Center records the liability and related expense in the internal service fund. The total amount of unpaid claims as of August 31, 2022 consists of plan years 2001-2002 through 2007-2008 and summarized as follows:

	2022	2021
Balance as of September 1, beginning	$ 7,927	$ 9,328
Incurred Claims:		
Provisions for insured events for prior years	(931)	(811)
	(931)	(811)
Payments:		
Claims attributable to insured events for prior years	580	590
	580	590
Balance as of August 31, ending	$ 6,416	$ 7,927

Auto, Liability and Property Programs

During the year ended August 31, 2022, the Center participated in the following Fund programs:

Auto Liability
Auto Physical Damage
Privacy & Information Security
Property
School Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2022, the Fund anticipates that the Center has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Funds' audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

Unemployment Compensation Pool

During the year ended August 31, 2022, the Center provided unemployment compensation coverage to its employees through participation in the Fund. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2022, the Fund anticipates that the Center has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Funds' audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin, Texas.

Q. CONSTRUCTION RELATED COMMITMENTS

As of August 31, 2022 the Center has two ongoing construction projects. The first is for a new storage building located at the Spring Valley site and the other is the second phase of renovations to the Spring Valley building. The total amount of these projects, the portion completed through August 31, 2022 and the remaining commitments as of August 31, 2022 are as follows:

	Storage Building	Spring Valley Renovation	Total
Total Construction Contracts	$ 921,302	$ 3,404,850	$ 4,326,152
Expended to August 31, 2022 (including retainage)	(348,239)	(1,787,128)	(2,135,367)
Remaining Commitments	$ 573,063	$ 1,617,722	$ 2,190,785

It is anticipated that both of these construction projects will be completed during the 2022-2023 fiscal year.

R. PRIOR PERIOD ADJUSTMENT

The Center implemented GASB Statement No. 87 *Leases* during the 2021-2022 year, which had to be applied retroactively to the beginning of each right-to-use lease. The prior period adjustment, which was recorded in the internal service fund, was calculated as follows:

Right-To-Use Equipment	$ 728,934
Right-To-Use Equipment, Accumulated Depreciation	(527,525)
Right-To-Use Lease Liability	(191,931)
Accrued Interest	(3,165)
Prior Period Adjustment	$ 6,313

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EDUCATION SERVICE CENTER REGION 10
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Budgeted Original	Budgeted Final	Actual Amounts (GAAP Basis)	Final Budget Variance Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 29,794,721	$ 31,955,457	$ 31,351,810	$ (603,647)
5800	State Program Revenues	2,258,300	2,425,982	2,486,636	60,654
5900	Federal Program Revenues	1,664,219	1,664,219	1,824,330	160,111
5020	Total Revenues	33,717,240	36,045,658	35,662,776	(382,882)
	EXPENDITURES:				
	Current:				
0011	Instruction	3,192,045	3,044,886	2,898,154	146,732
0012	Instructional Resources & Media Services	2,808,580	2,687,976	1,999,440	688,536
0013	Curriculum & Instructional Staff Development	10,810,371	10,737,897	9,540,656	1,197,241
0021	Instructional Leadership	16,692	17,350	17,112	238
0033	Health Services	192,978	213,786	113,829	99,957
0041	General Administration	4,256,689	4,090,555	3,969,815	120,740
0051	Facilities Maintenance and Operations	1,052,312	988,785	980,805	7,980
0053	Data Processing Services	5,934,241	5,897,390	5,788,343	109,047
0061	Community Services	22,000	53,762	53,418	344
0062	School District Administrative Support Services	3,695,055	3,886,880	3,370,155	516,725
	Capital Outlay:				
0081	Facilities Acquisition and Construction	800,000	4,243,174	2,089,678	2,153,496
	Intergovernmental:				
0093	Payments to Member Districts of SSAs	500	500	-	500
6030	Total Expenditures	32,781,463	35,862,941	30,821,405	5,041,536
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	935,777	182,717	4,841,371	4,658,654
	OTHER FINANCING SOURCES (USES):				
7915	Transfer from Internal Services Fund	400,000	400,000	246,650	(153,350)
7915	Transfer to Debt Service Fund - Prepay Loan	-	(2,209,586)	(2,209,585)	1
7080	Total Other Financing Sources (Uses)	400,000	(1,809,586)	(1,962,935)	(153,349)
1200	Net Changes in Fund Balances	1,335,777	(1,626,869)	2,878,436	4,505,305
0100	Fund Balance - September 1 (Beginning)	15,841,360	15,841,360	15,841,360	-
3000	Fund Balance - August 31 (Ending)	$ 17,177,137	$ 14,214,491	$ 18,719,796	$ 4,505,305

EDUCATION SERVICE CENTER REGION 10
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Date Control Codes		Budgeted Original	Budgeted Final	Actual Amount (GAAP Basis)	Final Budget Variance Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 1,618,974	$ 6,870,029	$ 3,166,156	$ (3,703,873)
5800	State Program Revenues	2,122,521	33,160,455	31,657,155	(1,503,300)
5900	Federal Program Revenues	47,148,178	348,477,780	157,681,599	(190,796,181)
5020	Total Revenues	50,889,673	388,508,264	192,504,910	(196,003,354)
	EXPENDITURES:				
	Current:				
0011	Instruction	2,343,964	2,697,547	2,113,205	584,342
0012	Instructional Resources & Media Services	-	200,000	200,000	-
0013	Curriculum & Instructional Staff Development	20,060,319	125,493,763	92,551,226	32,942,537
0021	Instructional Leadership	419,239	700,851	464,275	236,576
0031	Counseling & Evaluation Services	5,500	491,287	431,527	59,760
0033	Health Services	15,000	1,782,945	553,323	1,229,622
0041	General Administration	54,606	82,453	81,453	1,000
0051	Facilities Maintenance and Operations	678,218	1,055,877	650,554	405,323
0053	Data Processing Services	792,313	1,387,349	1,112,782	274,567
0062	School District Administrative Support Services	306,984	302,234	142,627	159,607
	Intergovernmental:				
0093	Payments to Member Districts of SSAs	26,213,530	102,153,966	47,002,881	55,151,085
0099	Other Governmental Charges	-	152,159,992	47,201,057	104,958,935
6030	Total Expenditures	50,889,673	388,508,264	192,504,910	196,003,354
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	$ -	$ -	$ -	$ -

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EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2015 Plan Year 2014	FY 2016 Plan Year 2015	FY 2017 Plan Year 2016
Center's Proportion of Net Pension Liability	0.0236893%	0.0376697%	0.0364122%
Center's Proportionate Share of Net Pension Liability	$ 6,327,740	$ 13,315,738	$ 13,759,620
State's Proportionate Share of the Net Pension Liability Associated with the Center	8,494,151	9,546,339	10,653,059
Total	$ 14,821,891	$ 22,862,077	$ 24,412,679
Center's Covered Payroll	$ 20,421,872	$ 23,017,153	$ 24,577,957
Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	30.99%	57.85%	55.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%	78.43%	78.00%

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 of August 31, 2014 for year 2015; August 31, 2015 for year 2016, etc.

Note: In accordance with GASB 68, Paragraph 138, only eight years of data are presented this reporting period. "The information for all periods for the 10-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."

FY 2018 Plan Year 2017	FY 2019 Plan Year 2018	FY 2020 Plan Year 2019	FY 2021 Plan Year 2020	FY 2022 Plan Year 2021
0.0328731%	0.0333082%	0.0327063%	0.0316611%	0.0329031%
$ 10,511,052	$ 18,333,625	$ 17,001,744	$ 16,957,031	$ 8,379,266
9,113,231	15,201,015	15,063,242	14,820,683	6,862,267
$ 19,624,283	$ 33,534,640	$ 32,064,986	$ 31,777,714	$ 15,241,533
$ 24,198,976	$ 24,849,512	$ 26,321,115	$ 27,256,565	$ 28,085,134
43.44%	73.78%	64.59%	62.21%	29.84%
82.17%	73.74%	75.24%	75.54%	88.79%

EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN
TEACHER RETIREMENT SYSTEM
FOR FISCAL YEAR AUGUST 31, 2022

	2015	2016	2017
Contractually Required Contribution	$ 1,115,415	$ 1,156,907	$ 1,077,389
Contribution in Relation to the Contractually Required Contribution	(1,115,415)	(1,156,907)	(1,077,389)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Center's Covered Payroll	$ 23,017,153	$ 24,577,957	$ 24,198,976
Contributions as a Percentage of Covered Payroll	4.85%	4.71%	4.45%

Note: GASB 68, Paragraph 81 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 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, only eight years of data are presented this reporting period. "The information for all periods for the 10-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."

2018	2019	2020	2021	2022
$ 1,124,050	$ 1,141,937	$ 1,306,572	$ 1,404,368	$ 1,591,442
(1,124,050)	(1,141,937)	(1,306,572)	(1,404,368)	(1,591,442)
$ -	$ -	$ -	$ -	$ -
$ 24,849,512	$ 26,321,115	$ 27,256,565	$ 28,085,134	$ 31,434,803
4.52%	4.34%	4.79%	5.00%	5.06%

EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER
POSTEMPLOYMENT BENEFITS LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2018 Plan Year 2017	FY 2019 Plan Year 2018	FY 2020 Plan Year 2019
Center's Proportion of Net Other Postemployment Benefits Liability	.0456725%	0.0472718%	0.0469101%
Center's Proportionate Share of Net Other Postemployment Benefits Liability	$ 19,861,270	$ 23,603,253	$ 22,184,370
State's Proportionate Share of the Net Other Postemployment Benefits Liability Associated with the Center	11,471,470	12,765,806	29,478,066
Total	$ 31,332,740	$ 36,369,059	$ 51,662,436
Center's Covered Payroll	$ 24,198,976	$ 24,849,512	$ 26,321,115
Center's Proportionate Share of the Net Other Postemployment Benefits Liability as a Percentage of its Covered Payroll	82.07%	94.98%	84.28%
Plan Fiduciary Net Position as a Percentage of the Total Other Postemployment Benefits Liability	0.91%	1.57%	2.66%

Note: GASB Codification, Vol. 2, P50.238 requires that the information on this schedule should be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018 and August 31, 2018 for year 2019, etc.

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

FY 2021 Plan Year 2020	FY 2022 Plan Year 2021
0.0465028%	0.0470624%
$ 17,677,826	$ 18,154,059
23,754,760	24,322,394
$ 41,432,586	$ 42,476,453
$ 27,256,565	$ 28,085,134
64.86%	64.64%
4.99%	6.18%

EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF CONTRIBUTIONS TO OTHER POSTEMPLOYMENT BENEFITS PLAN
TEACHER RETIREMENT SYSTEM
FOR FISCAL YEAR AUGUST 31, 2022

	2018	2019	2020
Contractually Required Contribution	$ 326,380	$ 332,933	$ 353,387
Contribution in Relation to the Contractually Required Contribution	(326,380)	(332,933)	(353,387)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Center's Covered Payroll	$ 24,849,512	$ 26,321,115	$ 27,256,565
Contributions as a Percentage of Covered Payroll	1.31%	1.26%	1.30%

Note: GASB Codification, Vol. 2, P50.238 states that the information on 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.

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

	2021		2022
$	367,707	$	404,743
	(367,707)		(404,743)
$	-	$	-
$	28,085,134	$	31,434,803
	1.31%		1.29%

A. BUDGET

BUDGETARY DATA

The Center is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund and Special Revenue Fund, both major funds. The Center compares the final amended budget to actual revenues and expenditures. The General Fund budget and the Special Revenue Fund budget reports appear in Exhibit F-1 and Exhibit F-2, respectively, as required supplementary information.

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

1. Prior to August 20, 2021, the Center prepared a budget for the 2021-2022 fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board of Directors was then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting was given.

3. Prior to September 1, the budget is legally adopted by the Board. Once a budget is approved, it can only be amended at the functional expenditure category and major fund group by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the Center has a policy of careful budgetary control, several amendments were necessary during the year.

4. Each budget is controlled by the budget coordinator within the constraints of the budget amendments approved by the Board. All budget appropriations lapse at year-end unless specifically carried forward to the next fiscal year.

ENCUMBRANCES

Encumbrances for goods or services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year’s budget. The Center has elected to cancel all outstanding encumbrances at year-end for the General Fund and be re-establish as new encumbrances in the following year, if needed. For the Special Revenue Fund, encumbrances not canceled at year-end are either transferred to the subsequent year’s budget or set up as new encumbrances in the following year, if applicable.

B. DEFINED BENEFIT PENSION PLAN

CHANGES IN ASSUMPTIONS

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

CHANGES IN BENEFITS

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

C. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

CHANGES IN ASSUMPTIONS

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the total OPEB liability.

CHANGES IN BENEFITS

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

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EDUCATION SERVICE CENTER REGION 10
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes		Original Budget	Final Budget	Actual Amounts (GAAP Basis)	Final Budget Variance Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	-	-	-
	EXPENDITURES:				
	Current:				
0011	Instruction	-	-	-	-
0012	Instructional Resources & Media Services	-	-	-	-
0013	Curriculum & Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
0062	School District Administrative Support Services	-	-	-	-
	Debt Service				
0071	Principal on Long-Term Debt	235,067	2,301,510	2,301,510	-
0072	Interest on Long-Term Debt	80,267	39,465	39,464	1
	Intergovernmental:				
0093	Payments to Member Districts of SSAs	-	-	-	-
6030	Total Expenditures	315,334	2,340,975	2,340,974	1
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(315,334)	(2,340,975)	(2,340,974)	(1)
	OTHER FINANCING SOURCES:				
7915	Transfer from General Fund	-	2,209,586	2,209,585	(1)
7915	Transfer from Internal Service Fund	315,334	131,389	131,389	-
	Total Other Financing Sources	315,334	2,340,975	2,340,974	(1)
1200	Net Changes in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ -

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STATISTICAL

SECTION

FOR THE FISCAL YEAR

ENDED AUGUST 31, 2022

Financial Trend Data – Information is needed to help users understand and assess how the Center's financial position has changed over time. See the following schedules to determine how the Center's financial position has changed over time:

- Exhibit H-1 Net Position
- Exhibit H-2 Change in Net Position
- Exhibit H-3 Fund Balance – Governmental Funds
- Exhibit H-4 Change in Fund Balance – Governmental Funds

Revenue Capacity Data – Information is needed to help users understand and assess the Center's ability to generate own-source revenues. See the following schedule to determine the Center's ability to generate own-source revenue:

- Exhibit H-5 Program Revenue - Charges for Services

Debt Capacity Data – Information is needed to help users understand and assess the Center's debt burden. See the following schedule of the Center's debt burden:

- Exhibit H-6 Schedule of Outstanding Debt

Demographic and Economic Information – Information is needed to help users understand the Center's socioeconomic environment. See the following schedules to understand the Center's socioeconomic environment:

- Exhibit H-7 Demographic Data
- Exhibit H-8 Demographic Data by Service Center
- Exhibit H-9 Largest Dallas-Ft. Worth Major Employers

Operating Information – Information is needed to help users understand the Center's operations and resources as well as to provide a context for understanding and assessing its economic condition. See the following schedules to understand the Center's operations and resources and its economic condition:

- Exhibit H-10 Use of Capital Assets Used in the Operation of Governmental Activities
- Exhibit H-11 Full Time Equivalent by Function
- Exhibit H-12 Demand or Level of Service Indicators

EDUCATION SERVICE CENTER REGION 10
NET POSITION

Last Ten Fiscal Years(1)

Governmental Activities:	2013	2014	2015	2016	2017
Net Investment in Capital Assets	$ 8,120,757	$ 7,707,394	$ 7,381,696	$ 7,038,224	$ 6,794,570
Unrestricted	9,687,355	9,568,311	3,443,636	2,748,758	2,530,533
Total Net Position, Governmental Activities	$ 17,808,112	$ 17,275,705	$ 10,825,332	$ 9,786,982	$ 9,325,103
			(2)		

(1) Information from Region 10's annual financial reports

(2) GASB 68 - "Accounting and Financial Reporting for Pensions" was implemented during the 2014-2015 fiscal year. This required recording a prior period adjustment for net pension liability of approximately $7 million.

(3) GASB 75 - "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions" was implemented during the 2017-2018 fiscal year. This required recording a prior period adjustment for net OPEB liability of approximately $34 million, creating a negative total net pension.

2018	2019	2020	2021	2022
$ 11,584,236	$ 21,502,163	$ 21,962,321	$ 21,752,023	$ 25,431,406
(23,489,516)	(27,459,274)	(27,976,599)	(24,564,571)	(19,707,371)
$ (11,905,280)	$ (5,957,111)	$ (6,014,278)	$ (2,812,548)	$ 5,724,035
(3)				

EDUCATION SERVICE CENTER REGION 10
CHANGE IN NET POSITION

Last Ten Fiscal Years(1)

	2013	2014	2015	2016
Expenses:				
Instruction	$ 4,117,926	$ 4,695,229	$ 6,214,832	$ 7,684,017
Instructional Resources & Media Services	10,221,027	6,209,477	6,343,005	5,927,730
Curriculum and Instructional Staff Development	30,034,482	20,057,013	20,668,226	22,443,317
Instructional Leadership	632,378	504,754	643,888	647,821
Guidance, Counseling and Evaluation Services	-	-	-	-
Health Services	14,667	16,563	16,548	14,010
General Administration	1,905,860	2,045,122	2,203,305	2,874,400
Facilities Maintenance & Operations	1,781,112	1,514,571	1,395,338	1,578,021
Data Processing Services	6,153,142	5,213,421	4,948,815	4,286,371
Community Services	-	-	-	24,664
School District Administrative Support Services	7,515,744	8,710,151	7,932,284	7,478,705
Debt Service - Interest and Other Bank Fees	1,073	-	-	-
Facilities Acquisition and Construction	-	-	-	-
Payments to Member Districts of SSAs	20,941,370	22,362,125	24,557,439	25,777,068
Other Governmental Charges	-	-	-	-
Total Expenses	83,318,781	71,328,426	74,923,680	78,736,124
Program Revenue:				
Charges for Services (Detail on Exhibit H-5)	18,745,768	19,224,020	18,491,581	19,129,132
Operating Grants & Contributions	62,485,537	50,602,151	56,104,392	57,519,263
Net (Expense) Revenue and Changes in Net Position	(2,087,476)	(1,502,255)	(327,707)	(2,087,729)
Grants & Contributions not Restricted	948,874	938,033	977,944	985,215
Investment Earnings	53,381	31,815	18,578	64,164
Special Item & Capital Asset Adjustment	-	-	-	-
Miscellaneous Local & Intermediate Revenue	-	-	-	-
Change in Net Position Before Prior Period Adjustment	(1,085,221)	(532,407)	668,815	(1,038,350)
Prior Period Adjustment	(352,224)	-	(7,119,188)	-
Change in Net Position After Prior Period Adjustment	$ (1,437,445)	$ (532,407)	$ (6,450,373)	$ (1,038,350)
			(2)	

(1) Information from Region 10's annual financial reports

(2) Prior Period Adjustment - capital asset adjustment in the Internal Service Fund of $50,168 less GASB 68 implementation ($7,169,356)

(3) Special Item & Capital Asset Adjustment - settlement payment for employment taxes related to Internal Revenue Service audit of 2013 calendar year

(4) Recognizing Regional Consortium for Innovation revenue as funding for the building renovations are transferred to the Capital Projects Fund

2017	2018	2019	2020	2021	2022
$ 5,918,317	$ 3,903,389	$ 6,127,702	$ 5,180,588	$ 5,696,227	$ 4,702,045
6,010,332	2,026,976	2,596,785	2,365,103	2,661,309	2,125,333
23,067,378	16,153,237	27,031,680	29,425,047	29,207,599	97,100,112
790,023	283,695	453,113	511,157	464,182	415,386
-	177,689	422,195	384,330	553,142	431,527
11,195	12,676	11,828	35,301	22,542	604,814
3,030,671	2,862,159	3,806,023	3,880,111	3,893,826	3,873,888
1,164,481	996,401	1,307,444	1,385,658	1,425,995	1,465,531
4,217,937	2,936,624	3,862,331	4,305,910	8,980,446	6,516,358
18,382	22,054	23,336	6,391	23,798	53,418
7,546,592	8,130,449	2,824,716	3,009,495	2,699,578	3,354,943
10,000	86,966	8,755	84,424	88,505	39,464
-	299,072	257,676	500,430	-	4,331
23,379,364	27,476,439	30,271,875	29,751,048	31,605,085	47,002,881
-	-	-	-	242,412	47,197,707
75,164,672	65,367,826	79,005,459	80,824,993	87,564,646	214,887,738
20,409,854	20,334,549	23,234,728	22,316,869	27,933,153	31,914,031
53,361,533	52,655,992	56,134,588	57,625,663	62,030,417	190,491,277
(1,393,285)	7,622,715	363,857	(882,461)	2,398,924	7,517,570
941,687	812,776	823,139	734,933	792,003	843,176
115,189	249,907	307,215	90,361	10,803	101,897
(125,470)	-	-	-	-	-
-	4,910,837	4,453,958	-	-	67,627
(3)	(4)				
(461,879)	13,596,235	5,948,169	(57,167)	3,201,730	8,530,270
-	(34,826,618)	-	-	-	6,313
$ (461,879)	$ (21,230,383)	$ 5,948,169	$ (57,167)	$ 3,201,730	$ 8,536,583
	(5)				

(5) Prior Period Adjustment - GASB 75 implementation ($34,826,618)

EDUCATION SERVICE CENTER REGION 10
FUND BALANCE - GOVERNMENTAL FUNDS

Last Ten Fiscal Years(1)

	2013	2014	2015	2016	2017
FUND BALANCE - GENERAL FUND					
Nonspendable:					
Unrealized Expenditures	$ 86,561	$ 91,731	$ 98,955	$ 101,415	$ 103,378
Committed/Assigned :					
Budget Use of Fund Balance	1,369,203	1,412,565	1,061,034	902,466	582,335
Building Improvements	1,000,000	1,000,000	1,500,000	1,500,000	2,886,039
Construction Loan Prepayment	-	-	-	-	-
Develop/Delivery of Alternate Training Methodology	75,000	75,000	75,000	75,000	75,000
Digital Media Licenses	250,000	190,000	190,000	-	-
ESSER Shared Service Arrangement Fees	-	-	-	-	-
Fall Initiatives	-	-	-	-	-
Fiber Consortium - UPS Devices	-	-	-	-	-
Furniture for Renovations	-	-	-	-	-
Long-Term Obligations - Xerox Rental Obligations	220,680	135,000	135,000	135,000	135,000
Microcomputer Enhancements	200,000	200,000	200,000	200,000	200,000
New Phone System/Other Technology	-	-	-	-	-
On-Line Product Development	210,000	210,000	210,000	210,000	210,000
On-Line Professional Development	-	-	-	-	-
Potential Shortfall in Future Years Due to Pandemic	-	-	-	-	-
Research and Development	600,000	1,000,000	1,500,000	2,500,000	2,000,000
Research and Development Tech Enhance Assessmts	-	-	-	-	-
Technology/Meeting Room Equipment	350,000	250,000	250,000	250,000	-
Unassigned	3,270,297	3,464,203	3,499,477	3,018,816	2,807,235
Total Fund Balance - General Fund	$ 7,631,741	$ 8,028,499	$ 8,719,466	$ 8,892,697	$ 8,998,987
FUND BALANCE - DEBT SERVICE FUND					
Committed/Assigned :					
Debt Service	$ -	$ -	$ -	$ -	$ -
Total Fund Balance - Debt Service Fund	$ -	$ -	$ -	$ -	$ -

(1) Information from Center's annual financial reports

	2018	2019	2020	2021	2022
	$ 136,212	$ 258,340	$ 146,123	$ 195,595	$ 312,898
	-	-	-	-	-
	4,297,505	1,500,000	1,500,000	3,250,000	3,650,000
	-	-	-	2,301,510	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	421,000
	-	132,600	-	-	-
	-	-	-	300,000	300,000
	-	-	-	-	1,500,000
	135,000	135,000	148,788	148,788	-
	-	-	-	-	-
	-	-	-	500,000	1,500,000
	218,867	-	-	-	-
	-	-	-	1,000,000	1,000,000
	-	-	3,700,000	-	-
	2,500,000	3,500,000	2,837,000	4,198,490	4,200,790
	-	-	-	-	733,275
	-	-	-	-	-
	3,571,744	3,742,311	3,167,962	3,946,977	5,101,833
	$ 10,859,328	$ 9,268,251	$ 11,499,873	$ 15,841,360	$ 18,719,796
	$ -	$ 300,000	$ 106,293	$ -	$ -
	$ -	$ 300,000	$ 106,293	$ -	$ -

EDUCATION SERVICE CENTER REGION 10
CHANGE IN FUND BALANCE -
GOVERNMENTAL FUNDS

Last Ten Fiscal Years(1)

	2013		2014		2015	2016
REVENUE:						
Local & Intermediate Sources	$ 20,045,972		$ 20,879,279		$ 20,094,594	$ 20,724,694
State Program Sources	20,948,762	(2)	6,142,396	(3)	6,687,244	6,519,472
Federal Program Sources	42,485,649		45,397,788		50,395,093	51,422,393
Total Revenue	83,480,383		72,419,463		77,176,931	78,666,559
EXPENDITURES:						
Instruction	4,119,461		4,714,702		6,356,134	7,288,574
Instructional Resources & Media Services	10,178,582		6,176,094		6,314,965	5,846,928
Curriculum & Instructional Staff Development	30,876,921		21,300,351		22,305,802	22,953,317
Instructional Leadership	628,109		504,080		663,284	617,189
Guidance, Counseling & Evaluation Services	-		-		-	-
Health Services	14,667		16,563		16,548	14,010
General Administration	1,920,410		2,065,854		2,265,308	2,846,177
Facilities Maintenance & Operations	1,933,064		1,160,493		1,158,776	1,430,991
Data Processing Services	6,027,438		5,019,193		4,943,973	4,233,684
Community Services	-		-		-	24,664
School District Administrative Support Services	7,501,531		8,720,470		7,942,481	7,460,726
Debt Service - Principal on Long-Term Debt	84,748		-		-	-
Debt Service - Interest on Long-Term Debt	1,073		-		-	-
Debt Service - Loan Origination Costs	-		-		-	-
Facilities Acquisition & Construction	-		-		-	-
Payments to Member Districts of SSAs	20,941,370		22,362,125		24,557,439	25,777,068
Other Governmental Charges	-		-		-	-
Total Expenditures	84,227,374		72,039,925		76,524,710	78,493,328
Excess (Deficiency) of Revenues Over (Under) Expenditures	(746,991)		379,538		652,221	173,231
OTHER FINANCING SOURCES (USES):						
Sale of Real and Personal Property	10,745		17,220		38,746	-
Issuance of Debt	-		-		-	-
Transfers In	661,545		-		-	-
Transfers Out	(85,145)		-		-	-
Total Other Financing Sources (Uses)	587,145		17,220		38,746	-
Special Item - IRS Settlement	-		-		-	-
Net Change in Fund Balances	$ (159,846)		$ 396,758		$ 690,967	$ 173,231
Ratio of Total Debt Expenditures to Non-Capital Expenditures	0.102%		0.000%		0.000%	0.000%

(1) Information from Center's annual financial reports

(2) In 2013, received $10 million from TEA for new Technology Lending Grant

(3) Technology Lending Grant ended during 2013-2014 ($9.2 million); TALA/TEKS Academies grants ended 2012-2013 ($1.5 million); Texas Virtual Schools Network Student Course Fees grant ended 2012-2013 ($4.0 million)

(4) In 2018, recognition of revenue for Regional Consortium for Innovation as it funds training room renovations at Abrams and Spring Valley locations ($4.9 million)

(5) In 2022, the Center received new funding for Emergency Assistance for Non-Profit Schools of $47.4 million (Federal) and for Supplemental Special Education Services of $62.7 million ($33.6 million Federal; $29.1 million State)

2017	2018	2019	2020	2021	2022
$ 22,281,920	$ 28,031,287 (4)	$ 30,606,503	$ 24,748,401	$ 30,403,313	$ 34,517,966
7,249,232	4,939,968	4,837,872	4,617,258	6,821,143	34,143,791 (5)
46,745,297	52,835,188	51,017,297	51,830,444	55,503,102	159,505,929 (5)
76,276,449	85,806,443	86,461,672	81,196,103	92,727,558	228,167,686
5,648,609	5,880,045	5,674,354	4,615,388	5,501,640	5,011,359
5,942,047	2,313,150	2,465,482	2,182,128	2,565,561	2,199,440
23,798,711	25,187,668	27,484,993	28,127,607	30,209,597	102,091,882
751,755	463,298	409,699	427,123	436,868	481,387
-	177,689	422,195	384,330	553,142	431,527
10,250	12,676	10,883	35,301	22,486	667,152
3,014,352	3,579,107	3,633,295	3,553,059	3,764,943	4,051,268
1,444,998	1,459,345	1,611,171	1,528,539	1,570,583	1,631,359
4,419,148	3,875,259	4,003,675	4,370,084	9,214,050	6,901,125
18,382	22,054	23,336	4,593	23,798	53,418
7,503,112	8,418,750	2,728,130	2,832,182	2,641,771	3,512,782
-	-	-	109,283	226,828	2,301,510
-	-	55	82,099	88,505	39,464
10,000	86,966	8,700	2,325	-	-
103,961	5,309,338	10,994,536	3,282,587	69,692	2,089,678
23,379,364	27,476,439	30,281,875	29,751,048	31,605,085	47,002,881
-	-	-	-	242,412	47,201,057
76,044,689	84,261,784	89,752,379	81,287,676	88,736,961	225,667,289
231,760	1,544,659	(3,290,707)	(91,573)	3,990,597	2,500,397
-	28,000	-	-	-	-
-	-	408,132	2,229,488	-	-
113,961	5,396,304	10,895,159	1,053,099	244,597	2,587,624
(113,961)	(5,108,622)	(9,303,661)	(1,153,099)	-	(2,209,585)
-	315,682	1,999,630	2,129,488	244,597	378,039
(125,470)	-	-	-	-	-
$ 106,290	$ 1,860,341	$ (1,291,077)	$ 2,037,915	$ 4,235,194	$ 2,878,436
0.000%	0.000%	0.000%	2.400%	0.356%	1.047%

EDUCATION SERVICE CENTER REGION 10
PROGRAM REVENUE - CHARGES FOR SERVICES

Last Ten Fiscal Years(1)

Program Revenue - Charges for Services	2013	2014	2015	2016	2017	2018
Instruction	$ 1,089,495	$ 1,567,816	$ 1,769,865	$ 1,825,885	$ 1,971,139	$ 2,229,462
Instructional Resources & Media Services	2,944,126	3,439,706	3,246,982	3,729,766	4,069,917	1,957,518
Curriculum and Instructional Staff Development	6,871,269	6,947,825	6,237,133	6,195,675	6,808,539	7,496,227
Instructional Leadership	188	396	4,038	44,180	143,506	40,972
Guidance, Counseling and Evaluation Services	-	-	-	-	-	172,811
Health Services	-	105	-	-	-	-
General Administration	748,103	1,100,304	1,326,499	1,472,234	1,758,983	2,087,669
Facilities Maintenance & Operations	863,188	551,269	517,962	547,274	576,204	624,900
Data Processing Services	3,951,374	2,981,103	2,882,393	2,980,906	2,508,822	2,658,588
Community Services	-	-	-	304	618	8,480
School District Administrative Support Services	2,216,431	2,633,962	2,489,793	2,332,828	2,571,939	3,057,922
Debt Service - Principal, Interest, Other Fees	60,121	-	-	-	-	-
Facilities Acquisition and Construction	-	-	-	-	-	-
Payments to Member Districts of SSAs	1,473	1,534	16,916	80	187	-
Total Program Revenue - Charges for Services	$18,745,768	$19,224,020	$18,491,581	$19,129,132	$20,409,854	$20,334,549

(1) Information from Region 10's annual financial reports

2019	2020	2021	2022
$ 2,587,249	$ 2,267,515	$ 2,547,467	$ 2,700,144
2,121,335	1,931,732	2,815,754	1,970,422
8,622,047	7,744,899	9,431,542	10,967,141
15,170	13,493	8,098	3,831
422,195	364,749	548,129	431,527
-	12,479	14,365	97,244
2,527,172	2,537,083	2,527,319	3,038,205
737,860	653,954	743,004	924,453
3,030,473	3,545,318	6,152,601	6,701,095
8,395	1,782	15,056	13,848
3,129,831	3,243,865	3,085,727	4,524,378
-	-	-	-
-	-	44,091	541,743
33,001	-	-	-
$23,234,728	$22,316,869	$27,933,153	$31,914,031

EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF OUTSTANDING DEBT

Last Ten Fiscal Years(1)

	2013	2014	2015	2016	2017	2018
Capital Leases (2)	$ 1,141	$ -	$ -	$ -	$ -	$ -
Renovation of Building (3)	-	-	-	-	-	-
Right-to-Use Lease Liabilities (4)	-	-	-	-	-	-
	$ 1,141	$ -	$ -	$ -	$ -	$ -
Debt Per Student (5)	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

(1) Information from Region 10's annual financial reports
(2) Capital leases - business accounting software, folder/inserter machine
(3) Renovation of Spring Valley Building
(4) Right-to-Use equipment in Print Center obtained under GASB Statement No 87 *Leases*
(5) Number of Students in Region from Exhibit H-7

2019	2020	2021	2022
$ -	$ -	$ -	$ -
408,132	2,528,337	2,301,510	-
-	-	-	308,642
$ 408,132	$ 2,528,337	$ 2,301,510	$ 308,642
$ 0.47	$ 2.85	$ 2.64	$ 0.35

EDUCATION SERVICE CENTER REGION 10
DEMOGRAPHIC DATA

Last Ten Fiscal Years(1)

Fiscal Year Ended August 31,	Number of Districts Served*	Number of Students Served	Number of Teacher FTE's Served	Number of Professional Support Staff FTE's Served	Number of Administrator FTE's Served	Unemployment Rate (2)	Population (3)
2013	123	776,920	49,911	9,069	3,904	6.0%	4,500,745
2014	123	796,020	51,139	10,063	3,897	5.5%	4,604,097
2015	122	812,655	53,178	10,974	4,078	4.2%	4,707,151
2016	120	823,914	54,110	11,475	4,305	4.0%	4,793,649
2017	119	844,896	55,501	11,945	4,421	3.9%	4,911,124
2018	118	867,294	56,749	11,466	5,102	3.6%	5,007,190
2019	116	874,990	57,405	11,878	5,185	3.3%	5,081,942
2020	116	886,842	58,165	12,366	5,302	6.3%	5,171,934
2021	116	870,791	59,412	13,080	5,486	4.7%	5,217,380
2022	116	882,725	59,799	13,890	5,232	3.7%	Not Available

* Includes Charter Schools
(1) From TEA's Standard Reports
(2) Data from Texas Workforce Commission Website
(3) Data from Greater Dallas Chamber of Commerce (Source: Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce)

Total Personal Income (000) (3)	Per Capita Personal Income (3)
$ 218,696,307	$ 48,591
$ 237,227,209	$ 51,525
$ 248,157,463	$ 52,719
$ 254,456,689	$ 53,082
$ 275,001,500	$ 55,996
$ 293,143,900	$ 58,545
$ 313,875,767	$ 61,763
$ 334,631,652	$ 64,701
$ 368,668,165	$ 70,662
Not Available	Not Available

EDUCATION SERVICE CENTER REGION 10
DEMOGRAPHIC DATA BY SERVICE CENTER

Fiscal Year 2022(1)

Education Service Center Number	Number of School Districts*	Number of Students	Number of Teacher FTE's	Number of Professional Support Staff FTE's	Number of Administrator FTE's
I	47	422,858	28,866	6,631	2,517
II	45	94,866	6,606	1,281	682
III	37	50,255	3,729	654	356
IV	90	1,232,666	79,230	20,356	6,074
V	38	83,604	5,859	1,004	582
VI	61	216,414	14,066	2,792	1,140
VII	101	180,380	12,819	2,367	1,297
VIII	46	55,690	4,718	747	488
IX	37	37,146	3,010	513	271
X	116	882,725	59,799	13,890	5,232
XI	95	592,249	41,055	9,131	3,078
XII	82	175,921	12,487	2,661	1,234
XIII	75	390,880	27,439	5,858	2,147
XIV	43	62,295	4,609	838	413
XV	45	49,755	3,767	639	349
XVI	61	82,081	6,381	987	564
XVII	61	83,609	6,502	1,252	599
XVIII	35	89,515	5,761	1,055	501
XIX	19	166,550	11,098	2,839	897
XX	88	477,911	31,962	8,122	2,441
Totals	1,222	5,427,370	369,763	83,617	30,862

*Includes Charter Schools

(1) From TEA's Standard Reports and Education Directory

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EDUCATION SERVICE CENTER REGION 10
LARGEST DALLAS-FT. WORTH MAJOR EMPLOYERS

Last Ten Fiscal Years

Fiscal Year Ended August 31,	Number Employed in DFW	Rank 1	2	3	4	5
2013	2,150,500 Employed	American Airlines	Bank of America	Texas Health Resources	Baylor Health Care System	AT&T Inc.
Number Employed		24,700	20,000	19,230	17,097	15,800
Percent Employed		1.15%	0.93%	0.89%	0.80%	0.73%
2014	2,196,700 Employed	Texas Health Resources	Bank of America	American Airlines	Baylor Health Care System	Lockheed Martin Aeronautics
Number Employed		21,100	20,000	19,219	16,850	16,000
Percent Employed		0.96%	0.91%	0.87%	0.77%	0.73%
2015	2,394,700 Employed	Wal-Mart Stores	American Airlines Group	Baylor Health Care System	Texas Health Resources	Bank of America
Number Employed		52,700	23,700	22,000	16,205	15,400
Percent Employed		2.20%	0.99%	0.92%	0.68%	0.64%
2016	2,517,500 Employed	Wal-Mart Stores	American Airlines Group	Texas Health Resources	Baylor Scott & White Health	Bank of America
Number Employed		25,534	25,000	19,131	16,860	14,465
Percent Employed		1.01%	0.99%	0.76%	0.67%	0.57%
2017	2,574,300 Employed	Wal-Mart Stores	American Airlines Group	Texas Health Resources	Baylor Scott & White Health	Lockheed Martin Aeronautics
Number Employed		34,000	27,000	22,296	16,500	13,750
Percent Employed		1.32%	1.05%	0.87%	0.64%	0.53%
2018 (2)	2,658,400 Employed	Baylor Scott & White Health	Lockheed Martin	UT Southwestern Medical Center	Medical City Healthcare	AT&T Inc.
Number Employed		24,088	20,500	18,666	17,000	15,000
Percent Employed		0.91%	0.77%	0.70%	0.64%	0.56%
2019 (3)	3,815,200 Employed	Baylor Scott & White Health	Texas Health Resources	Lockheed Martin	UT Southwestern Medical Center	Medical City Healthcare
Number Employed		23,865	23,466	22,200	17,000	14,500
Percent Employed		0.63%	0.62%	0.58%	0.45%	0.38%
2020	3,670,200 Employed	American Airlines	Baylor Scott & White Health	Lockheed Martin	UT Southwestern Medical Center	Medical City Healthcare
Number Employed		33,000	24,088	20,500	18,666	17,000
Percent Employed		0.90%	0.66%	0.56%	0.51%	0.46%
2021	3,898,422 Employed	Texas Health Resources	Lockheed Martin	UT Southwestern Medical Center	Baylor Scott & White Health	Medical City Healthcare
Number Employed		26,000	22,950	20,167	18,195	17,000
Percent Employed		0.67%	0.59%	0.52%	0.47%	0.44%
2022	4,100,249 Employed	Texas Health Resources	Lockheed Martin	UT Southwestern Medical Center	Medical City Healthcare	Bank of America
Number Employed		27,000	22,000	21,539	17,000	13,850
Percent Employed		0.66%	0.54%	0.53%	0.41%	0.34%

(1) For fiscal years 2013-2017, data for Dallas-Ft. Worth area for major employers from Dallas Economic Development which receives data from Dallas Business Journal of Lists

(2) Beginning with 2018, major employers received directly from Dallas Business Journal.

(3) Beginning with 2019, the number employed from the Texas Workforce Commission website includes Dallas, Fort Worth and Arlington. Prior to 2019, the cities included were Dallas, Irving and Plano. This is the reason for the large increase in number employed in 2019.

6	7	8	9	10
Lockheed Martin Aeronautics	JPMorgan Chase	HCA North Texas	Kroger Food Stores	Texas Instruments Inc.
14,126	13,500	12,000	10,097	9,100
0.66%	0.63%	0.56%	0.47%	0.42%
JPMorgan Chase	Texas Instruments Inc.	Energy Future Holdings	United Parcel Service	Target
14,500	14,000	9,400	9,209	8,671
0.66%	0.64%	0.43%	0.42%	0.39%
JPMorgan Chase	Texas Instruments	Lockheed Martin Aeronautics	HCA North Texas Division	Target
13,000	13,000	12,600	11,612	8,671
0.54%	0.54%	0.53%	0.48%	0.36%
Lockheed Martin Aeronautics	Texas Instruments	JPMorgan Chase	HCA North Texas Division	Southwest Airlines
13,700	13,000	12,600	11,612	9,500
0.54%	0.52%	0.50%	0.46%	0.38%
Bank of America	Texas Instruments	JPMorgan Chase	HCA North Texas Division	Southwest Airlines
13,500	13,000	12,676	11,722	9,931
0.52%	0.50%	0.49%	0.46%	0.39%
Parkland Health & Hospital System	JPMorgan Chase	Southwest Airlines	State Farm	L3 Technologies
12,857	12,400	10,694	9,400	8,000
0.48%	0.47%	0.40%	0.35%	0.30%
University of North Texas System	City of Dallas	Parkland Health & Hospital System	JPMorgan Chase	Albertsons
13,620	13,114	12,879	12,554	12,105
0.36%	0.34%	0.34%	0.33%	0.32%
AT&T Inc	Parkland Health & Hospital System	JPMorgan Chase	Southwest Airlines	State Farm
15,000	12,857	12,400	10,694	9,400
0.41%	0.35%	0.34%	0.29%	0.26%
University of North Texas System	Bank of America	Parkland Health & Hospital System	JPMorgan Chase	City of Dallas
14,730	13,650	13,095	13,050	12,695
0.38%	0.35%	0.34%	0.33%	0.33%
University of North Texas System	Parkland Health & Hospital System	General Motors Arlington Assembly	State Farm	Frisco ISD
13,275	12,966	10,512	9,950	8,088
0.32%	0.32%	0.26%	0.24%	0.20%

EDUCATION SERVICE CENTER REGION 10
USE OF CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL ACTIVITIES BY FUNCTION AND ACTIVITY
AUGUST 31, 2022

EXHIBIT H-10

Function and Activity	Land	Buildings & Improvement	Furniture & Equipment (1)	Right-to-Use Equipment (2)	Construction Work in Progress (3)
September 1, 2021, beginning	$ 785,863	$ 29,726,744	$ 2,156,507	$ 728,934	$ 69,692
Current Year Data:					
Instruction	-	-	(9,995)	-	-
Instructional Resources & Media Services	-	-	(680)	(183,300)	-
Curriculum and Instructional Staff Development	-	-	-	-	-
General Administration	-	-	-	-	-
Facilities Maintenance and Operations	-	-	-	-	-
Data Processing Services	-	-	(97,555)	-	-
School District Administrative Support Services	-	-	-	-	-
Facilities Acquisition & Construction	-	-	-	-	2,085,347
As of August 31, 2022, ending	$ 785,863	$ 29,726,744	$ 2,048,277	$ 545,634	$ 2,155,039

(1) Furniture & Equipment category consists of vehicles used for transportation of personnel and supplies; various computer equipment for networking, databases, presentation systems; printing/copying equipment; office furniture for personnel; audio/visual equipment for special education students.
(2) Print Center equipment obtained under GASB Statement No. 87 *Leases*
(3) Architect fees and construction costs for a new storage building and renovations to the Spring Valley building.

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EDUCATION SERVICE CENTER REGION 10
FULL-TIME EQUIVALENT BY FUNCTION

Last Ten Fiscal Years(1)

Full-Time Equivalent Employees as of August 31,	2013	2014	2015	2016	2017	2018
Governmental Activities						
Instruction	74	77	120	91	86	89
Instructional Resources & Media Services	32	23	23	39	24	25
Curriculum and Instructional Staff Development	197	193	197	214	244	266
Instructional Leadership	4	6	4	8	5	3
Health Services	-	-	-	-	-	-
General Administration	21	22	22	29	33	36
Facilities Maintenance & Operations	11	10	11	12	10	10
Data Processing Services	44	37	35	35	31	31
School District Administrative Support Services	28	22	19	19	16	24
Total Governmental Activities	411	390	431	447	449	484

(1) Information from Region 10's payroll records

2019	2020	2021	2022
75	73	70	61
23	19	21	18
254	253	254	289
3	3	3	4
-	-	1	8
34	33	34	34
10	10	9	10
28	27	33	32
19	17	19	21
446	435	444	477

EDUCATION SERVICE CENTER REGION 10
DEMAND OR LEVEL OF SERVICE INDICATORS

Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018
Percent Students Passing Achievement Tests						
Reading	82	78	79	74	73	75
Math	81	78	83	77	80	82
Writing	65	74	74	71	68	68
Science	84	80	80	80	80	81
Social Studies	79	80	80	80	79	80
All Tests	79	78	79	76	76	78
Number Participating in Regional Services (1)	716	817	795	712	748	564

(1) Includes school districts, charter schools, private schools, service centers and other entities participating in areas of: Early Childhood, Special Populations, Personnel & Certification, Teaching & Learning, Digital Learning, Technology & Data and Administrative Services.

(2) Due to the pandemic during 2019-2020, the State cancelled student assessment testing so no data is available for this year.

(3) The test scores for 2021 are much lower than the pre-pandemic test scores because of learning loss due to the pandemic.

(4) There was no stand-alone writing test administered in 2022.

2019	2020 (2)	2021 (3)	2022	
76	N/A	69	75	
84	N/A	68	74	
70	N/A	60	N/A	(4)
83	N/A	72	16	
82	N/A	74	16	
79	N/A	69	75	
692	914	1010	1021	

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FEDERAL AWARDS

SECTION

FOR THE FISCAL YEAR

ENDED AUGUST 31, 2022

EDGIN, PARKMAN, FLEMING & FLEMING, PC
CERTIFIED PUBLIC ACCOUNTANTS

1401 HOLLIDAY ST., SUITE 216 ▪ P.O. BOX 750
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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

Board of Directors
Education Service Center Region 10
400 E. Spring Valley Road
Richardson, Texas 75081-5199

Members of the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Education Service Center Region 10 (Center) as of and for the year ended August 31 2022, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated November 28, 2022.

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) to determine the 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 an opinion 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center'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 that we consider to be material weaknesses. However, material weaknesses 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 from 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 determination of financial statement amounts. 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.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

November 28, 2022

EDGIN, PARKMAN, FLEMING & FLEMING, PC
CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Education Service Center Region 10
400 E. Spring Valley Road
Richardson, Texas 75081-5199

Members of the Board of Directors:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Education Service Center Region 10's (Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended August 31, 2022. 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 its major federal programs for the year ended August 31, 2022.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the major federal programs. 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

November 28, 2022

EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures	(5) Pass-Through To Sub-Recipients
U.S. DEPARTMENT OF EDUCATION				
Direct Programs				
Gear Up	84.334B	P334A210140	348,719	-
Total CFDA Number 84.334B			348,719	-
Total Direct Programs			348,719	-
Passed Through State Department of Education				
Title I, ESC ESSA Basic Services - 6101	84.010A	226101197110010	73,440	-
Title I, ESC Comprehensive School Support Cycle 3	84.010A	216101537110010	49,643	-
Title I, School Improvement Facilitation	84.010A	206101547110010	31,119	-
Title I, School Improvement Facilitation	84.010A	226101547110010	1,203,063	-
Title I, Part A - Texas Instructional Leadership Expansion	84.010A	226101457110010	52,056	-
Title I, Part A - Texas Instructional Leadership Expansion	84.010A	236101457110010	3,814	-
Title I, Part A - Texas Instructional Leadership Lead Grant	84.010A	216101507110010	165,000	
Title I, Part A - Texas Instructional Leadership Lead Grant	84.010A	226101507110010	-	
Title I, Part A - Texas Instructional Leadership Mentorship	84.010A	216101567110002	659,365	-
Title I, Part A - Texas Instructional Leadership Mentorship	84.010A	226101567110002	324,030	-
ESC Performance Management - Community of Practice	84.010A	216101657110010	37,570	-
Title I, Part A - Improving Basic Programs SSA	84.010A	20610101057950	290,032	281,856
Title I, Part A - Improving Basic Programs SSA	84.010A	21610101057950	326,189	326,189
Title I, Part A - Improving Basic Programs SSA	84.010A	22610101057950	11,250,149	11,008,391
Total CFDA Number 84.010A			14,465,470	11,616,436
Title I, ESC ESSA Basic Services - 6150	84.011A	226150027110010	223,435	-
Title I, Part C - Migrant SSA	84.011A	20615001057950	47,860	2,546
Title I, Part C - Migrant SSA	84.011A	21615001057950	10,418	-
Title I, Part C - Migrant SSA	84.011A	22615001057950	71,926	-
Total CFDA Number 84.011A			353,639	2,546
Special Education Cluster:				
IDEA - Part B - TWU TETN Speech Language Pathology	84.027A	226600077110001	217,637	-
IDEA - Part B - Sensory Impairments	84.027A	226600227110010	89,238	-
IDEA - Part B - Leadership	84.027A	226600567110010	4,726,762	-
IDEA - Part B - School, Family & Community Engagement	84.027A	226600167110001	1,836,209	
IDEA - Part B - Special Education ESC Liaison	84.027A	226600657110010	422,882	-
IDEA - Part B - Discretionary Dyslexia	84.027A	226600487110001	35,894	-
IDEA - Part B - JIRA - Incident Management System	84.027A	226600977110001	50,000	-
Total CFDA Number 84.027A			7,378,622	-
IDEA - Part B - Preschool	84.173A	226610227110010	678,802	-
Total CFDA Number 84.173A			678,802	-
Total Special Education Cluster			8,057,424	-
ESC Career & Technical Education - Performance Based Monitoring/Admin	84.048A	224200107110010	77,333	-
ESC Career & Technical Education - Perkins Reserve	84.048A	224200287110006	96,256	-
ESC Career & Technical Education - Perkins Reserve	84.048A	224200287110007	303,437	-
ESC Career & Technical Education - Perkins Reserve	84.048A	224200287110011	41,207	-
ESC Career & Technical Education - Perkins Reserve	84.048A	224200287110012	72,358	-
ESC Career & Technical Education - Perkins Reserve	84.048A	214200287110008	46,916	11,844
ESC Career & Technical Education - Effective Advising Planning Pilot	84.048A	214200297110005	150,000	-
ESC Career & Technical Education - Leadership	84.048A	224200097110010	30,000	-
Carl D. Perkins Basic Formula	84.048A	22420006057950	388,614	-
Carl D. Perkins Basic Formula	84.048A	23420006057950	4,081	-
Total CFDA Number 84.048A			1,210,202	11,844
ESC Capacity Building	84.196A	224600087110010	48,425	-
Total CFDA Number 84.196A			48,425	-
Title III, Part A - Basic Services	84.365A	226710027110010	146,982	-
Title III, Part A - Enhancing Program Implementation	84.365A	226710157110010	53,770	-
Title III, Part A - English Language Acquisition - Immigrant SSA	84.365A	20671003057950	584,142	584,142
Title III, Part A - English Language Acquisition - Immigrant SSA	84.365A	22671003057950	127,252	127,252
Title III, Part A - English Language Acquisition SSA	84.365A	20671001057950	286,472	279,147
Title III, Part A - English Language Acquisition SSA	84.365A	21671001057950	2,787	2,787
Title III, Part A - English Language Acquisition SSA	84.365A	22671001057950	4,542,927	4,066,758
Total CFDA Number 84.365A			5,744,332	5,060,086
Title II, ESC ESSA Basic Services	84.367A	216945747110010	34,792	-
Title II, Equity Plan Support	84.367A	226945647110010	23,084	
Title II, Part A - Texas Instructional Leader Expansion	84.367A	216945737110010	69,192	
Title II, Part A - Texas Instructional Leader Expansion	84.367A	226945737110010	5,721	
Title II, Part A - Supporting Effective Instruction SSA	84.367A	20694501057950	535,592	277,124
Title II, Part A - Supporting Effective Instruction SSA	84.367A	21694501057950	29,482	29,482
Title II, Part A - Supporting Effective Instruction SSA	84.367A	22694501057950	4,823,623	4,245,524
Total CFDA Number 84.367A			5,521,486	4,552,130
Title IV, Part A - ESC ESSA Basic Services	84.424A	226801057110010	203,158	-
Title IV, Mental Behavioral Health	84.424A	216801107110010	34,332	
Title IV, Mental Behavioral Health	84.424A	226801117110010	15,854	
Title IV, Part A - Subpart I Student Support & Academic Achievement SSA	84.424A	20680101057950	193,951	151,954

EDUCATION SERVICE CENTER REGION 10
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures	(5) Pass-Through To Sub-Recipients
Title IV, Part A - Subpart I Student Support & Academic Achievement SSA	84.424A	21680101057950	(2,971)	(2,971)
Title IV, Part A - Subpart I Student Support & Academic Achievement SSA	84.424A	22680101057950	999,299	968,529
Total CFDA Number 84.424A			1,443,623	1,117,512
COVID-19 Supplemental Special Education Services - GEER III	84.425C	225260017110001	30,868,966	-
Total CFDA Number 84.425C			30,868,966	-
COVID-19 ESC ESSER Technical Assistance	84.425D	20521011057950	56,106	-
COVID-19 ESC ESSER Texas Home Learning Planning and Implementation	84.425D	205210177110010	165,611	-
COVID-19 ESC ESSER Texas Home Learning Supports Extension	84.425D	205210337110001	3,869,450	-
COVID-19 ESC ESSER Innovative Staffing and Talent Pipeline	84.425D	205210207110001	166,193	-
COVID-19 Emergency Assistance to Non-Public Schools - Administrative	84.425D	TEA Contract 4237	243,614	-
COVID-19 Emergency Assistance to Non-Public Schools - Services	84.425D	TEA Contract 4237	47,201,057	-
COVID-19 ESC ESSER II Texas Home Learning Dedicated Staff Support	84.425D	215210407110010	175,370	-
COVID-19 ESC ESSER II Technical Assistance	84.425D	215210467110010	78,368	-
COVID-19 Elementary and Secondary School Emergency Relief SSA	84.425D	20521001057950	633,987	618,514
COVID-19 ESSER II Coronavirus Response & Relief Supplemental Appropriations	84.425D	21521001057950	7,319,890	7,177,791
Total CFDA Number 84.425D			59,909,646	7,796,305
COVID-19 Supplemental Special Education Services - ESSER III	84.425U	215280717110001	2,813,252	-
COVID-19 ESC ESSER III Texas Home Learning Dedicated Staff Support	84.425U	215280407110010	30,834	-
COVID-19 Recovery Instructional Materials Support Initiative Assmt Data Collection	84.425U	215280697110001	1,722,245	-
COVID-19 Whole Child Teacher Training	84.425U	215280507110001	11,971	-
COVID-19 ESC ESSER III Technical Assistance	84.425U	215280457110010	30,551	-
COVID-19 ESC Staff & Talent Pipeline Expansion	84.425U	215280207110005	69,288	-
COVID-19 ESC Operational Support for Accelerated Learning	84.425U	215280417110010	58,428	-
COVID-19 ESC Texas Tutoring Support	84.425U	215280277110010	198,984	-
COVID-19 ESSER III American Rescue Plan Supplemental SSA	84.425U	21528043057950	1,974,583	1,875,133
COVID-19 ESSER III American Rescue Plan SSA	84.425U	21528001057950	12,546,761	12,255,566
Total CFDA Number 84.425U			19,456,897	14,130,699
COVID-19 Homeless ESC Capacity Supplemental	84.425W	215330037110010	16,121	-
Total CFDA Number 84.425W			16,121	-
Total COVID-19 Education Stabilization Fund			110,251,630	21,927,004
ESC ESSA Basic Services - 6000	84.999	226000117110010	131,374	-
JIRA - Incident Management System	84.999	226000977110001	50,000	-
Total CFDA Number 84.999			181,374	-
Total Passed Through State Department of Education			147,277,605	44,287,558
TOTAL DEPARTMENT OF EDUCATION			147,626,324	44,287,558
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Programs				
Early Head Start/Head Start	93.600	06CH01065503	28,062	-
Early Head Start/Head Start	93.600	06CH01065504	10,073,013	2,339,097
Head Start - COVID	93.600	06CH01065503C3	32,464	-
Head Start - Coronavirus Response & Relief Supplemental Appropriations	93.600	06HE00083401C5	56,127	-
Head Start - American Rescue Plan	93.600	06HE00083401C6	240,220	107,285
Total CFDA Number 93.600			10,429,886	2,446,382
Total Direct Programs			10,429,886	2,446,382
Passed Through State Department of Education				
Covid-19 Public Health Workforce Supplemental	93.354	223934017110010	600,264	-
Total CFDA Number 93.354			600,264	-
Total Passed Through State Department of Education			600,264	-
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			11,030,150	2,446,382
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Agriculture				
Education Service Center Child Nutrition	10.560	TDA	780,014	-
Education Service Center Child Nutrition	10.560	TDA	69,441	-
Total CFDA Number 10.560			849,455	-
Total Passed Through State Department of Agriculture			849,455	-
TOTAL DEPARTMENT OF AGRICULTURE			849,455	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			159,505,929	46,733,940

1. For all Federal programs, the Center uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. The Special Revenue Fund is used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types, which include all Federal grant funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources and fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance.

   The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. When such funds are received, they are recorded as revenues since all Federal grants are on an expenditure reimbursement basis.

3. Some grants are assigned CFDA No. 84.999 because they are funded from the Texas Education Agency's consolidated administrative funds.

4. De Minimis Indirect Cost Rate – Entities that receive federal awards for which an indirect cost rate has never been negotiated may elect to charge a de minimis indirect cost rate of ten percent of modified total direct costs. The Center did not elect to charge the de minimis rate to any of its federal awards during the year ended August 31, 2022.

I. Summary of the Auditor's Results:

a. The type of report issued on the financial statements of the Education Service Center Region 10 was an unmodified opinion.
b. There were no material weaknesses in internal control disclosed by the audit of the financial statements.
c. The audit did not disclose any noncompliance that is material to the financial statements of the auditee.
d. No significant deficiencies in internal control over major programs were disclosed by the audit.
e. The type of report issued on compliance for major programs was an unmodified opinion.
f. The audit did not disclose any audit findings required to be reported upon. These include:
    1. Significant deficiencies or material weaknesses in internal control over major programs.
    2. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program.
    3. For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than $25,000.
    4. Known questioned costs greater than $25,000 for a federal program that is not audited as a major program.
    5. The circumstances concerning why the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
    6. Known fraud affecting a federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.
    7. Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
g. Major programs consisted of:
    1. IDEA-B Cluster (84.027A & 84.173A)
    2. Title III, Part A (84.365A)
    3. Education Stabilization Fund (84.425)
h. The dollar threshold used to distinguish between Type A and Type B programs was $4,785,178, which is 3% of total federal programs.
i. The auditee qualified as a low-risk auditee.

II. Findings Relating to the Financial Statements, Which Are Required to Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I(f) Above.

None

EDUCATION SERVICE CENTER REGION 10
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

There were no audit findings reported in the prior year audit report, which require commentary.

EDUCATION SERVICE CENTER REGION 10
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

There were no findings or questioned costs during the current year under audit.

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