



Region One Education Service Center
Annual Financial & Compliance Report
For the Year Ended
August 31, 2022

Presented by
Casco & Associates, PC
Brownsville, Texas 78520

**REGION ONE EDUCATION
SERVICE CENTER**

ANNUAL FINANCIAL AND COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2022

REGION ONE EDUCATION SERVICE CENTER
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FOR THE YEAR ENDED AUGUST 31, 2022

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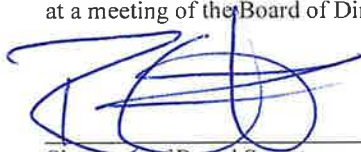
CERTIFICATE OF BOARD

Region One Education Service Center
Name of Service Center


Hidalgo
County

108-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above-named service center were reviewed and (check one) approved disapproved for the year ended August 31, 2022 at a meeting of the Board of Directors of such service center on the 25th day of January 2023.



Signature of Board Secretary



Signature of Board President



Cascos & Associates, PC

Certified Public Accountants

Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Region One Education Service Center
Edinburg, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Region One Education Service Center (the "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 for 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.

Emphasis of Matters

Change in Accounting Principle

As described in the notes to the financial statements, in 2022, the Center adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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

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



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Auditors' 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 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 and budgetary comparison information on pages 5–10 and 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 combining and individual nonmajor fund financial statements 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Center's internal control over financial reporting and compliance.



Cascos & Associates, PC
Brownsville, Texas
January 25, 2023



Daniel P. King, Ph.D.
Executive Director

Region One Education Service Center

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Region One Education Service Center’s annual financial report presents our discussion and analysis of the Center’s financial performance during the fiscal year ended August 31, 2022. Please read it in conjunction with the Center’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

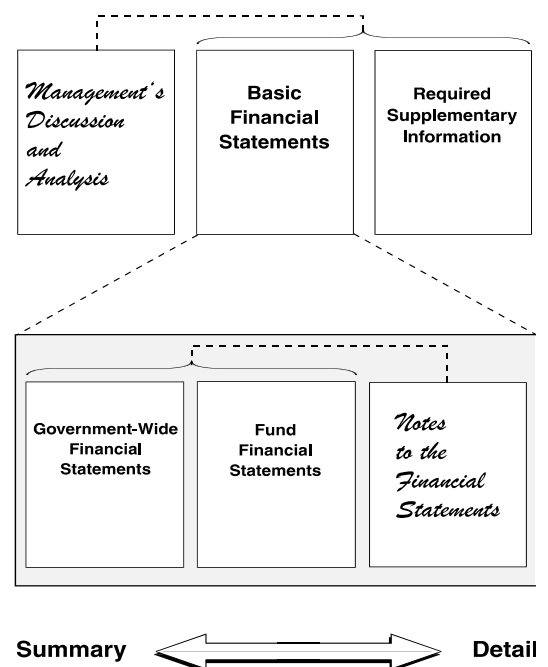
- The Center’s total combined net assets were \$53,225,069 as of August 31, 2022, which reflects an increase of 1.15% between fiscal years 8/31/21 and 8/31/22.
- During the year, the Center’s expenses were \$3,119,442 less than the \$67,538,312 generated in local charges and other revenues for governmental activities. This is more than last year when revenues exceeded expenses by \$962,413.
- The general fund reported an excess of revenues over expenditures this year of \$2,757,284. There were transfers from the general fund to the proprietary funds in the amount of \$376,147. The net increase to the general fund was \$2,381,137 with an ending balance of \$27,015,218.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Center’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Center’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the Center acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1F, Required Components of the Center’s Annual Financial Report



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

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

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

The government-wide financial statements of the Center include the *Governmental activities*. Most of the Center’s basic services are included here, such as instruction, curriculum and staff development, school district administrative support services and general administration. Grants and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Center’s most significant *funds*—not the Center as a whole. Funds are accounting devices that the Center uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the Center is properly using certain grants and local sources.

The Center has the following kinds of funds:

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

encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the Center charges customers a fee generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the Center’s other programs and activities.
- *Fiduciary funds*—The Center is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The Center is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Center’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Center’s government-wide financial statements because the Center cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Net position. The Center’s combined net position increased by 57.49%, to approximately \$11,363,455 between the fiscal years 2021 and 2022 (See Table A-1).

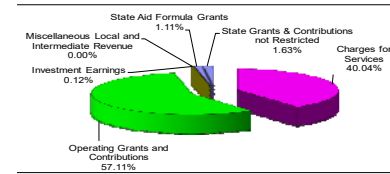
Table A-1
Region One Education Service Center's Net Assets

	Governmental Activities		Total % Change
	2021	2022	
Current Assets:			
Cash and cash equivalents	\$ 9,632,547	\$ 16,334,046	69.57%
Current investments	9,032,258	9,291,658	2.87%
Due from other governments	12,116,557	6,437,129	-46.87%
Due from Fiduciary Funds	3	-	0.00%
Other receivables	107,321	109,818	2.33%
Prepayments	77,315	82,698	6.96%
Inventories-supplies	44,474	317,859	614.71%
Other current assets	404	904	123.76%
Total Current Assets	<u>31,010,879</u>	<u>32,574,112</u>	5.04%
Noncurrent Assets:			
Land	212,653	212,653	0.00%
Building	37,517,149	34,921,572	-6.92%
Leased property under capital leases	-	239,165	0.00%
Furniture and equipment	162,655	2,384,922	1366.25%
Less: Accumulated depreciation	<u>(16,281,115)</u>	<u>(17,107,355)</u>	5.07%
Total Noncurrent Assets	<u>21,611,342</u>	<u>20,650,957</u>	-4.44%
Total Assets	<u>52,622,221</u>	<u>53,225,069</u>	1.15%
Deferred Outflows of Resources			
Deferred Outflow Related to TRS Pension	6,247,571	4,355,277	-30.29%
Deferred Outflow Related to TRS OPEB	<u>3,618,457</u>	<u>3,830,132</u>	5.85%
Total Deferred Outflows of Resources	<u>9,866,028</u>	<u>8,185,409</u>	-17.03%
Liabilities:			
Accounts payable and accrued liabilities	371,814	425,323	14.39%
Short Term Right-to-Use Leases Payable	-	115,717	0.00%
Payroll deductions & withholdings	376,507	473,898	25.87%
Accrued Wages Payable	271,105	401,556	48.12%
Due to other governments	2,202,253	346,513	-84.27%
Unearned Revenue	2,596	152,375	5769.61%
Due Within One Year	558,200	626,330	12.21%
Due in More Than One Year	6,441,800	6,066,431	-5.83%
Net Pension Liability (District's Share)	15,219,667	6,157,217	-59.54%
Net OPEB Liability (District's Share)	<u>16,071,260</u>	<u>14,019,644</u>	-12.77%
Total Liabilities	<u>41,515,202</u>	<u>28,785,004</u>	-30.66%
Deferred Inflows of Resources			
Deferred Inflow Related to TRS Pension	1,989,515	8,260,037	315.18%
Deferred Inflow Related to TRS OPEB	<u>11,768,281</u>	<u>13,001,982</u>	10.48%
Total Deferred Inflows of Resources	<u>13,757,796</u>	<u>21,262,019</u>	54.55%
Net Position:			
Invested in capital assets, net of related debt	14,611,342	13,958,196	-4.47%
Restricted for federal and state program	1,169,937	599,997	0.00%
Restricted for other purposes	1,321,134	1,321,134	0.00%
Unrestricted net assets	<u>(9,887,162)</u>	<u>(4,515,872)</u>	-54.33%
Total Net Position	<u>\$ 7,215,251</u>	<u>\$ 11,363,455</u>	57.49%

(1) Unrestricted net position showed a \$4.5 million deficit at the end of this year as a result of the implementation of GASB Statement No 75. This deficit represents a decrease of 54.33% from the prior year.

Changes in net position. The Center’s total revenues increased by .20% to \$64,608,464. A significant portion, 57.11%, of the Center’s revenue comes from operating grants (See Figure A-3.), while 40.04% relates to charges for services.

The total cost of all programs and services decreased 4.59% to \$60,460,259. The instruction and instructional related services and student services functions represent 53% of these costs.



Governmental Activities

- Investment earnings increased by approximately 317.95% due to an increase in the interest rate. Charges for services increased by 28.49% from \$20,132,427 to \$25,867,645 due to an increase in services by Curriculum, Instruction, and Assessment.
- Grants not restricted represent revenues for indirect cost, foundation funds and other grants not restricted. These funds decreased by 67.38% from \$3,220,537 to \$1,050,659. The state aid – formula grants represent state funds received for Center operations. State revenues were adjusted by the required GASB 68 and GASB 75 journal entries.
- Operating grants and contributions represent federal and state funds restricted for a specific program. The Center obtained approximately \$2,642,820 less federal and state grants as compared to last year.

**Table A-2
Changes in Region One Education Service Center's Net Position**

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2021</u>	<u>2022</u>	<u>% Change</u>
Program Revenues:			
Charges for services	\$ 20,132,427	\$ 25,867,645	28.49%
Operating grants and contributions	39,538,243	36,895,423	-6.68%
Grants and contributions not restricted	3,220,537	1,050,659	-67.38%
Investment earnings	18,310	76,526	317.95%
State aid - formula grants	1,568,550	718,208	-54.21%
Miscellaneous local and intermediate revenue	-	3	-
Total Revenues	64,478,067	64,608,464	0.20%
Program Expenses:			
Instruction	11,525,286	15,218,663	32.05%
Instructional resources media services	1,385,098	1,332,115	-3.83%
Curriculum dev. and instructional staff dev.	15,904,392	15,724,978	-1.13%
Instructional leadership	3,834,959	3,588,904	-6.42%
School leadership	918,584	840,872	-8.46%
Guidance, counseling, and evaluation services	93,772	12,448	-86.73%
Health Services	-	223,551	-
Student (pupil)	166	166	0.00%
General administration	3,586,556	2,786,160	-22.32%
Plant and maintenance	2,333,382	2,817,759	20.76%
Security and monitoring	-	-	-
Data processing services	3,929,397	3,222,899	-17.98%
Community services	453,929	588,403	29.62%
School district administrative support	4,965,752	4,830,283	-2.73%

	<u>2021</u>	<u>2022</u>	
Debt service	47,542	229,641	-
Capital Outlay	-	4,400	100.00%
Payments to fiscal agent/member dist.-SSA	<u>14,392,211</u>	<u>9,039,017</u>	-37.20%
Total Expenditures	<u>63,371,026</u>	<u>60,460,259</u>	-4.59%
Increase (Decrease) in Net Assets	<u>\$ 1,107,041</u>	<u>\$ 4,148,205</u>	274.71%

Table A-3 presents the cost of each of the Center’s largest functions as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local revenues.

- The cost of all *governmental* activities decreased by 4.59% this year ending at \$60,460,259. Some of the cost was paid by those who directly benefited from the programs \$25,867,645 or by grants and contributions totaling \$36,895,423.

Net Cost of Selected Center's Functions

	<u>Total Cost of Services</u>		Total
	<u>2021</u>	<u>2022</u>	<u>% Change</u>
Instruction	\$11,525,286	\$15,218,663	32.05%
Instructional Resources and Media Services	1,385,098	1,332,115	-3.83%
Curriculum Dev. And Instructional Staff Dev.	15,904,392	15,724,978	-1.13%
Instructional Leadership	3,834,959	3,588,904	-6.42%
General Administration	3,586,556	2,786,160	-22.32%
Plant Maintenance & Operations	2,333,382	2,817,759	20.76%
Data Processing Services	3,929,397	3,222,899	-17.98%
School District Administration Support (ESC only)	4,965,752	4,830,082	-2.73%
Payments Related to Shared Services Arrangements	14,392,211	9,039,017	-37.20%

FINANCIAL ANALYSIS OF THE CENTER’S FUNDS

Revenues from governmental fund types totaled \$67,538,312, an increase of 4.75% over the preceding year. The increase in local revenues is primarily a result of an increase in services by Curriculum, Instruction, and Assessment. The decrease in operating grants and contributions of 6.68% is due to a decrease reimbursable services in grant allocations. The increase in expenditures across all functions of \$903,216 is primarily due to an increase in instructional related expenditures

General Fund Budgetary Highlights

Over the course of the year, the Center revised and the Board of Directors approved the budget on a monthly basis. Actual expenditures were \$3,240,098 below final budget amounts. Some local programs expended less than appropriations. On the other hand, resources available were \$551,650 under the final budgeted amount.

CAPITAL ASSETS

At the end of 2022, the Center had invested \$37,519,147 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase of \$1,998 or .01% over last year. The Center disposed of equipment through auction and other allowable methods.

**Table A-4
Center's Capital Assets**

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2021</u>	<u>2022</u>	<u>% Change</u>
Land	\$ 212,653	\$ 212,653	0.00%
Buildings and improvements	34,921,572	34,921,572	0.00%
Equipment	<u>2,382,924</u>	<u>2,384,922</u>	0.08%
Totals at historic cost	<u>37,517,149</u>	<u>37,519,147</u>	0.01%
Capital Leases	-	239,165	-
Total accumulated depreciation	<u>(15,905,807)</u>	<u>(17,107,355)</u>	7.55%
Net capital assets	<u>\$ 21,611,342</u>	<u>\$ 20,650,957</u>	-4.44%

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Texas Education Agency appropriated the same amount of state base funds and approximately the same federal funds to the Center for 2022-2023.

These indicators were taken into account when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are \$32,386,193 an increase of 4.27% over the final 2022 budget of \$31,058,755. The original budget for 2022-23 represents conservative figures.

Expenditures are budgeted to increase by 4.51% to \$32,386,193 as compared to the final expenditure budget for 2022. The increase is also due to budgeting conservative amounts for new initiatives. If these estimates are realized, the Center's budgetary general fund balance is not expected to change by the close of 2023.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and investors and creditors with a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Center's Business Services Department at (956) 984-6290.

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

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 16,334,046
1120 Current Investments	9,291,658
1240 Due from Other Governments	6,437,129
1290 Other Receivables, Net	109,818
1300 Inventories	82,698
1410 Prepayments	317,859
1490 Other Current Assets	904
Capital Assets:	
1510 Land	212,653
1520 Buildings, Net	20,079,461
1530 Furniture and Equipment, Net	119,678
1550 Right-to-Use Leased Assets, Net	239,165
1000 Total Assets	53,225,069
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	4,355,277
1706 Deferred Outflow Related to TRS OPEB	3,830,132
1700 Total Deferred Outflows of Resources	8,185,409
LIABILITIES	
2110 Accounts Payable	425,323
2120 Short Term Debt Payable	115,717
2150 Payroll Deductions and Withholdings	473,898
2160 Accrued Wages Payable	401,556
2180 Due to Other Governments	346,513
2300 Unearned Revenue	152,375
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	626,330
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	6,066,431
2540 Net Pension Liability (District's Share)	6,157,217
2545 Net OPEB Liability (District's Share)	14,019,644
2000 Total Liabilities	28,785,004
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	8,260,037
2606 Deferred Inflow Related to TRS OPEB	13,001,982
2600 Total Deferred Inflows of Resources	21,262,019
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	13,958,196
Restricted:	
3820 Restricted for Federal and State Programs	599,997
3890 Restricted for Other Purposes	1,321,134
3900 Unrestricted	(4,515,872)
3000 Total Net Position	\$ 11,363,455

The notes to the financial statements are an integral part of this statement.

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

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 15,218,663	\$ 6,466,912	\$ 9,632,893	\$ 881,142
12 Instructional Resources and Media Services	1,332,115	1,293,382	-	(38,733)
13 Curriculum and Instructional Staff Development	15,724,978	6,466,912	9,305,465	47,399
21 Instructional Leadership	3,588,904	517,353	3,209,921	138,370
23 School Leadership	840,872	-	913,041	72,169
31 Guidance, Counseling, and Evaluation Services	12,448	-	12,448	-
33 Health Services	223,551	-	223,551	-
34 Student (Pupil) Transportation	166	-	-	(166)
41 General Administration	2,786,160	3,104,117	-	317,957
51 Facilities Maintenance and Operations	2,817,759	3,104,117	1,025,752	1,312,110
53 Data Processing Services	3,222,899	2,328,088	564,727	(330,084)
61 Community Services	588,403	-	454,703	(133,700)
62 School District Administrative Support (ESC)	4,830,283	2,586,764	2,495,012	251,493
72 Debt Service - Interest on Long-Term Debt	229,641	-	18,892	(210,749)
81 Capital Outlay	4,400	-	-	(4,400)
93 Payments Related to Shared Services Arrangements	9,039,017	-	9,039,018	1
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 60,460,259	\$ 25,867,645	\$ 36,895,423	2,302,809
Data Control Codes	General Revenues:			
	Taxes:			
SF	State Aid - Formula Grants			718,208
GC	Grants and Contributions not Restricted			1,050,659
IE	Investment Earnings			76,526
MI	Miscellaneous Local and Intermediate Revenue			3
TR	Total General Revenues			1,845,396
CN	Change in Net Position			4,148,205
NB	Net Position - Beginning			7,215,250
NE	Net Position - Ending			\$ 11,363,455

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	10 General Fund	274 GEAR UP	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 12,001,242	\$ 122,789	\$ 71,829
1120 Investments - Current	9,291,658	-	-
1240 Due from Other Governments	2,150,748	508,289	-
1260 Due from Other Funds	5,190,871	-	-
1290 Other Receivables	109,568	-	-
1410 Prepayments	317,859	-	-
1490 Other Current Assets	500	-	-
1000 Total Assets	<u>\$ 29,062,446</u>	<u>\$ 631,078</u>	<u>\$ 71,829</u>
LIABILITIES			
2110 Accounts Payable	\$ 296,012	\$ 122,789	\$ -
2120 Short Term Debt Payable - Current	115,717	-	-
2150 Payroll Deductions and Withholdings Payable	473,898	-	-
2160 Accrued Wages Payable	344,501	-	-
2170 Due to Other Funds	628,533	508,289	-
2180 Due to Other Governments	56,907	-	-
2300 Unearned Revenue	131,660	-	-
2000 Total Liabilities	<u>2,047,228</u>	<u>631,078</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	1,321,134	-	-
Committed Fund Balance:			
3510 Construction	-	-	71,829
3545 Other Committed Fund Balance	6,641,800	-	-
3600 Unassigned Fund Balance	19,052,284	-	-
3000 Total Fund Balances	<u>27,015,218</u>	<u>-</u>	<u>71,829</u>
4000 Total Liabilities and Fund Balances	<u>\$ 29,062,446</u>	<u>\$ 631,078</u>	<u>\$ 71,829</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 2,619,674	\$ 14,815,534
-	9,291,658
3,250,180	5,909,217
398,165	5,589,036
-	109,568
-	317,859
-	500
<u>\$ 6,268,019</u>	<u>\$ 36,033,372</u>
\$ 6,522	\$ 425,323
-	115,717
-	473,898
57,055	401,556
4,357,626	5,494,448
289,606	346,513
20,715	152,375
<u>4,731,524</u>	<u>7,409,830</u>
599,997	599,997
-	1,321,134
-	71,829
-	6,641,800
936,498	19,988,782
<u>1,536,495</u>	<u>28,623,542</u>
<u>\$ 6,268,019</u>	<u>\$ 36,033,372</u>

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	28,623,542
1 The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		2,116,700
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$37,517,149 and the accumulated depreciation was (\$15,905,807). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		14,474,415
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2022 capital outlays and debt principal payments is to increase net position.		596,925
4 Included in the items related to debt is the recognition of the Center's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,355,277, a deferred resource inflow in the amount of \$8,260,037, and a net pension liability in the amount of \$6,157,217. This resulted in a decrease in net position.		(10,061,977)
5 Included in the items related to debt is the recognition of the Center's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$3,830,132, a deferred resource inflow in the amount of \$13,001,982, and a net OPEB liability in the amount of \$14,019,644. This resulted in a decrease in net position.		(23,191,494)
6 The 2022 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,194,656)
19 Net Position of Governmental Activities	\$	11,363,455

The notes to the financial statements are an integral part of this statement.

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

Data Control Codes	10 General Fund	274 GEAR UP	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 25,808,390	\$ -	\$ -
5800 State Program Revenues	2,374,008	-	-
5900 Federal Program Revenues	2,324,707	12,918,731	-
5020 Total Revenues	<u>30,507,105</u>	<u>12,918,731</u>	<u>-</u>
EXPENDITURES:			
Current:			
0011 Instruction	8,015,705	2,308,670	-
0012 Instructional Resources and Media Services	1,302,148	-	-
0013 Curriculum and Instructional Staff Development	7,257,780	3,429,817	-
0021 Instructional Leadership	840,431	1,020,776	-
0023 School Leadership	10,865	-	-
0031 Guidance, Counseling, and Evaluation Services	-	12,448	-
0033 Health Services	-	-	-
0041 General Administration	2,725,103	-	-
0051 Facilities Maintenance and Operations	1,266,177	160,664	-
0053 Data Processing Services	2,819,631	50,083	-
0061 Community Services	48,348	220,762	-
0062 School District Administrative Support (ESC Only)	2,706,424	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	558,441	1,918	-
0072 Interest on Long-Term Liabilities	198,768	399	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	4,400
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	5,713,194	-
6030 Total Expenditures	<u>27,749,821</u>	<u>12,918,731</u>	<u>4,400</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,757,284	-	(4,400)
OTHER FINANCING SOURCES (USES):			
8911 Transfers Out (Use)	(376,147)	-	-
1200 Net Change in Fund Balances	2,381,137	-	(4,400)
0100 Fund Balance - September 1 (Beginning)	<u>24,634,081</u>	<u>-</u>	<u>76,229</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 27,015,218</u>	<u>\$ -</u>	<u>\$ 71,829</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 135,784	\$ 25,944,174
1,809,845	4,183,853
22,166,847	37,410,285
24,112,476	67,538,312
7,106,517	17,430,892
-	1,302,148
5,875,544	16,563,141
2,173,146	4,034,353
913,041	923,906
-	12,448
223,551	223,551
-	2,725,103
856,501	2,283,342
510,639	3,380,353
249,625	518,735
2,495,012	5,201,436
14,250	574,609
2,269	201,436
-	4,400
3,325,823	9,039,017
23,745,918	64,418,870
366,558	3,119,442
-	(376,147)
366,558	2,743,295
1,169,937	25,880,247
\$ 1,536,495	\$ 28,623,542

REGION ONE EDUCATION SERVICE CENTER
 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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	2,743,295
<p>The Center uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.</p>		
		73,417
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2022 capital outlays and debt principal payments is to increase net position.</p>		
		596,925
<p>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,194,656)
<p>GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,440,335. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$1,025,783. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by \$485,082. The net result is an increase in the change in net position.</p>		
		899,634
<p>GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$368,496. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$278,298. Finally, the proportionate share of the TRS OPEB Expense on the plan as a whole had to be recorded. The net OPEB increased the change in net position by \$939,392. The net result is an increase in the change in net position.</p>		
		1,029,590
Change in Net Position of Governmental Activities	\$	4,148,205

The notes to the financial statements are an integral part of this statement.

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2022

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,518,512
Due from Other Governments	527,912
Due from Other Funds	307,216
Other Receivables	250
Inventories	82,698
Other Current Assets	404
Total Current Assets	<u>2,436,992</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	85,813
Depreciation on Buildings	(62,750)
Furniture and Equipment	775,059
Depreciation on Furniture and Equipment	(716,610)
Total Noncurrent Assets	<u>81,512</u>
Total Assets	<u>2,518,504</u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	401,804
Total Liabilities	<u>401,804</u>
NET POSITION	
Unrestricted Net Position	<u>2,116,700</u>
Total Net Position	<u>\$ 2,116,700</u>

The notes to the financial statements are an integral part of this statement.

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

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 3,950,473
Total Operating Revenues	<u>3,950,473</u>
OPERATING EXPENSES:	
Payroll Costs	1,281,443
Professional and Contracted Services	2,108,511
Supplies and Materials	428,556
Other Operating Costs	245,006
Depreciation Expense	55,415
Debt Service	134,272
Total Operating Expenses	<u>4,253,203</u>
Income Before Transfers	(302,730)
Transfer In	376,147
Change in Net Position	73,417
Total Net Position - September 1 (Beginning)	<u>2,043,283</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 2,116,700</u></u>

The notes to the financial statements are an integral part of this statement.

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

EXHIBIT D-3

	Governmental Activities -
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 3,950,473
Cash Payments for Assessments - Other Funds	(426,766)
Cash Payments to Employees for Services	(1,281,444)
Cash Payments for Contracted Services	(2,242,781)
Cash Payments for Suppliers	(428,556)
Cash Payments for Other Operating Expenses	(299,366)
Net Cash Used for Operating Activities	(728,440)
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer In	376,147
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	33,523
Net Decrease in Cash and Cash Equivalents	(318,770)
Cash and Cash Equivalents at Beginning of Year	1,806,744
Cash and Cash Equivalents at End of Year	\$ 1,487,974
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (302,730)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	21,890
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(264,364)
Decrease (increase) in Inventories	(5,382)
Increase (decrease) in Due To Other Funds	(177,854)
Net Cash Used for Operating Activities	\$ (728,440)

The notes to the financial statements are an integral part of this statement.

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

	Private Purpose Trust Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 207,242
Due from Other Governments	8,026
Total Assets	<u>215,268</u>
LIABILITIES	
Due to Student Groups	<u>124,255</u>
Total Liabilities	<u>124,255</u>
NET POSITION	
Unrestricted Net Position	<u>91,013</u>
Total Net Position	<u><u>\$ 91,013</u></u>

The notes to the financial statements are an integral part of this statement.

REGION ONE EDUCATION SERVICE CENTER
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

	Private Purpose Trust Fund
ADDITIONS:	
Contributions, Gifts and Donations	\$ 130,391
Total Additions	130,391
DEDUCTIONS:	
Payroll Costs	382
Professional and Contracted Services	31,474
Supplies and Materials	1,868
Other Deductions	5,654
Total Deductions	39,378
Change in Fiduciary Net Position	91,013
Total Net Position - September 1 (Beginning)	-
Total Net Position - August 31 (Ending)	\$ 91,013

The notes to the financial statements are an integral part of this statement.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Region One Education Service Center (the “Center”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board of Directors (“Board”), a seven-member group, has governance responsibilities over all activities related to educational services within the jurisdiction of the Center. The Center prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, 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.

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.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) 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.

As of August 31, 2022, Region One Education Service Center retrospectively/prospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

A. REPORTING ENTITY

The Board is elected by the member school boards, which in turn are elected by the public. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The Center receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the Center is not included in any other governmental “reporting entity” as defined by the GASB and there are no component units within the reporting entity.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Center with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the Center operates have shared in the payment of the direct costs. The “charges for services” column include payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the Center.

The Center provides executive, administrative, instructional and business support services in the form of staff development to school districts within the service area. 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 through the Department of Education, Department of Health & Human Services, Texas Education Agency, Texas Workforce Commission, Texas Department of Agriculture and Early Childhood Intervention. If revenue is not program revenue, it is general revenue used to support all of the Center’s functions.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for Center operations, they are not included in the government-wide statements. The Center considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary 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.

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 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).

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 expected to be liquidated with expendable available financial resources. The Center considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of workshop fees, and co-op consortium membership fees. 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.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize 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. The Center applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Fiduciary funds include Private Purpose Trust Funds. Data from fiduciary funds are not included in the government wide statements.

D. BASIS OF PRESENTATION - FUND ACCOUNTING

The Center reports the following major governmental funds:

1. **General Fund** - is used to account for financial resources used for general operations. This is a budgeted fund, and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.
2. **GEAR UP** - is used to account for resources restricted to or designated for the implementation and monitoring of the student's academic progress.
3. **Capital Projects Fund** - is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the Center reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** - are used to account for resources restricted to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BASIS OF PRESENTATION - FUND ACCOUNTING

2. ***Debt Service Fund*** - is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. The Center has no Debt Service Fund.
3. ***Permanent Funds*** - is used to account for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the Center's programs. The Center has no Permanent Funds.

Proprietary Funds:

1. ***Internal Service Funds*** - are used to account for revenues and expenses related to services provided to organizations inside the Center on a cost reimbursement basis are accounted for in an internal service fund.

Fiduciary Funds:

1. ***Private Purpose Trust Fund*** - are used to account for donations, which have stipulations that the principal may not be expended; and the income earned may only be used for a specific purpose. The Center's Private Purpose Trust Funds are the Region One School Board Association and RGV Association of School Librarians.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the Center considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional and office items. Supplies are recorded as expenditures when they are consumed.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District implemented GASB 87 for reporting leases during this reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in the government wide statements and in proprietary fund statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in governmental fund types as another source during the current period. Monthly payments are reported as principal and interest payments during the reporting period in the fund level statements.

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. OTHER ACCOUNTING POLICIES

4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities' columns in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The right-to-use lease asset capitalization level is determined by the Board. The term of the lease must be the non-cancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. Note with existing contracts that were evaluated as leases for this year of implementation, the recording of the lease asset and liability would not be reported in governmental fund statements but would be reported in the government wide statements.

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. Buildings, furniture and equipment of the Center are straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Vehicles	6
Office Equipment	3-5
Computer Equipment	3

5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change for future construction needs.
6. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Center is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:
- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
 - **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. OTHER ACCOUNTING POLICIES

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution by the Board. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of non-spendable and restricted fund balances since that practice would commit funds that the Center does not have. Board commitments must occur before the end of the reporting period with amounts to be determined subsequently.
- Assigned: This classification includes amounts that are constrained by the Center's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or the Executive Director.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

The order of spending and availability shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

7. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.
8. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows, or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.
9. Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts and service centers to display these codes in the financial statements filed with the agency in order to ensure accuracy in building a statewide database for policy development and funding plans.
11. The Center is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the Center purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
12. Indirect expenses are charged upon a service center-wide cost allocation plan, which allocates these costs based upon the number of full time equivalents.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. OTHER ACCOUNTING POLICIES

13. Sometimes the Center will fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Center's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Directors adopts an "appropriated budget" for the General Fund. The Center is required to present the adopted and final amended budgeted revenues and expenditures. The Center compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1.

1. Prior to August 20th the Center prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1st, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. 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. During the year, the budget was amended, as necessary.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on August 31st, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2022, expenditures exceed appropriations in the following functions as noted:

<u>General Fund Function</u>	<u>Amount</u>
11 Instruction	\$ 450,894

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

Center Policies and Legal Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the center complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk for Deposits – The Center limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. At year-end, the Center was not exposed to foreign risk.

As of August 31, 2022, the following are the Center’s cash and cash equivalents with respective maturities and credit ratings:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less Than One Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity In Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 12,369,929	-	\$ -	\$ -	\$ -	N/A
Investment Pools:						
TexPool	\$ 1,601,123	100.00%	\$ 1,601,123	\$ -	\$ -	AAAm
Texas Class Investment	11,334,897	100.00%	11,334,897	-	-	AAAm
Total Investment Pools:	<u>\$ 12,936,020</u>	<u>100.00%</u>	<u>\$ 12,936,020</u>	<u>\$ -</u>	<u>\$ -</u>	
Total Cash and Cash Equivalents	<u>\$ 25,305,949</u>	<u>100.00%</u>	<u>\$ 12,936,020</u>			

Investments

Center Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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 a governmental entity 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.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Investments

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

Additional policies and contractual provisions governing investments for Region One Education Service Center are specified below:

Credit Risk – In accordance with state law and the Center’s investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating, commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalents. As of August 31, 2022, the center's investments in TexPool was rated AAAM by Standard and Poor’s (S&P), Texas Class was rated AAAM by Standard and Poor’s (S&P).

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the Center requires counterparties to register the securities in the name of the Center and hand them over to the Center or its designated agent. This includes securities in securities lending transactions. All of the securities are in the Center's name and held by the Center or its agent.

Concentration of Credit Risk – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the Center limits investments to less than 5% of its total investments. The Center further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the Center does not purchase any investments greater than five (5) years for its operating funds.

Foreign Currency Risk for Investments – The Center limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the Center was not exposed to foreign currency risk.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Investments

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the general-purpose financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Center adhered to the requirements of the Act. Additionally, investment practices of the Center were in accordance with local policies.

The Center’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of August 31, 2022, the Center had the following investments subject to the fair value measurement (dollar amounts are in thousands).

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
TexPool	\$ 1,601,123	\$ 1,601,123	\$ -	\$ -	\$ -
Texas Class Investment	11,334,897	11,334,897	-	-	-
Total	<u>\$ 12,936,020</u>	<u>\$ 12,936,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

B. DUE FROM OTHER GOVERNMENTS

The Center participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of August 31, 2022, are summarized below. Some federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other Governments</u>	<u>Total</u>
General Fund	\$ 25,257	\$ -	\$ 2,125,491	\$ 2,150,748
Gear Up	-	508,289	-	508,289
Other Funds	2,604,698	678,120	7,668	3,290,486
Internal Service Fund	-	-	527,913	527,913
Total	<u>\$ 2,629,955</u>	<u>\$ 1,186,409</u>	<u>\$ 2,661,072</u>	<u>\$ 6,477,436</u>

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

C. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at August 31, 2022, consisted of the following individual fund balances:

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 602,643
General Fund	Special Revenue Funds	4,467,811
General Fund	Internal Service Fund	120,417
Special Revenue Funds	General Fund	63
Special Revenue Funds	Special Revenue Funds	398,102
Internal Service Fund	General Fund	25,831
Internal Service Fund	Internal Service Fund	281,386
Total		\$ 5,896,253

The entire balance of \$5,896,253 resulted from end of year reclassifications made between the General Fund and other funds.

D. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

As of August 31, 2022, the Center reevaluated the allowance for uncollectible accounts in the General Fund for outstanding accounts receivable balances. The Center's accounts receivable balance within the general fund consists of \$109,568 with no allowance at year end.

E. CAPITAL ASSET ACTIVITY

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

	Balance 9/1/2021	<u>Changes During Year</u>		Balance 8/31/2022
		<u>Additions</u>	<u>Retirements</u>	
Governmental Activities:				
Capital Assets:				
Land	\$ 212,653	\$ -	\$ -	\$ 212,653
Buildings & Improvements	34,921,572	-	-	34,921,572
Furniture & Equipment	2,382,924	50,522	(48,524)	2,384,922
Totals at Historic Cost	37,517,149	50,522	(48,524)	37,519,147
Right-to-Use Leased Assets:				
Furniture & Equipment	-	239,165	-	239,165
Total Right-to-Use Assets	-	239,165	-	239,165
Less Accumulated Depreciation:				
Buildings & Improvements	(13,685,538)	(1,156,573)	-	(14,842,111)
Furniture & Equipment	(2,220,269)	(93,499)	48,524	(2,265,244)
Total Accumulated Depreciation	(15,905,807)	(1,250,072)	48,524	(17,107,355)
Governmental Activities				
Capital Assets, Net	\$ 21,611,342	\$ (960,385)	\$ -	\$ 20,650,957

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

E. CAPITAL ASSET ACTIVITY

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 39,637
12 Instructional Resources & Media Services	48,874
13 Curriculum & Instructional Staff Development	138,349
21 Instructional Leadership	28,045
34 Student (Pupil) Transportation	166
41 General Administration	72,917
51 Facilities Maintenance & Operations	588,000
53 Data Processing Services	148,377
61 Community Services	85,070
62 School District Administrative Support (ESC only)	45,222
In addition, depreciation on capital assets held by the Center's Internal Service Fund charged to the various functions based on their usage of the assets	55,415
Totals	\$ 1,250,072

F. LONG-TERM OBLIGATIONS

Loan Payable

On August 2021, the Center entered into a contract with Lone Star National Bank to finance the Center's building expansion. Loan payable for the year ended August 31, 2022, was as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Interest Rate</u>	<u>Interest Current Year</u>	<u>Balance 9/1/2021</u>	<u>Principal Retired</u>	<u>Balance 8/31/2022</u>
Loan Payable	\$ 7,000,000	2.96%	\$ 9,818	\$ 7,000,000	\$ (546,404)	\$ 6,453,596
Total				\$ 7,000,000	\$ (546,404)	\$ 6,453,596

The debt service requirements for the loan payable are as follows:

<u>Year Ended August 31,</u>	<u>Loan Payable</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 626,330	\$ 184,921	\$ 811,251
2024	644,946	166,306	811,252
2025	665,045	146,207	811,252
2026	685,298	125,954	811,252
2027	706,167	105,084	811,251
2028-2032	3,125,810	199,060	3,324,870
Total	\$ 6,453,596	\$ 927,532	\$ 7,381,128

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

F. LONG-TERM OBLIGATIONS

Activity in Long-Term Debt for the Center for the year ended August 31, 2022, was as follows:

Governmental Activities	Balance <u>9/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>8/31/2022</u>	Current <u>Portion</u>
Loan Payable	\$ 7,000,000	\$ -	\$ 546,404	\$ 6,453,596	\$ 626,330
Right-to-Use Leases	-	267,370	28,205	239,165	-
Net Pension Liability	15,219,667	(8,128,029)	934,421	6,157,217	-
Net OPEB Liability	<u>16,071,260</u>	<u>(1,792,209)</u>	<u>259,407</u>	<u>14,019,644</u>	<u>-</u>
Totals	<u>\$ 38,290,927</u>	<u>\$ (9,652,868)</u>	<u>\$ 1,768,437</u>	<u>\$ 26,869,622</u>	<u>\$ 626,330</u>

G. RIGHT-TO-USE LEASES PAYABLE

Right-to-Use Leases

Description

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2022, are as follows:

Year Ending August 31,	<u>Right-to-Use Leases</u>		Total
	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2023	\$ 154,556	\$ 10,844	\$ 165,400
2024	48,447	5,268	53,715
2025	39,520	2,503	42,023
2026	<u>3,743</u>	<u>48</u>	<u>3,791</u>
Totals	<u>\$ 246,266</u>	<u>\$ 18,663</u>	<u>\$ 264,929</u>

H. LITIGATION

The Center's attorney reports no pending or threatened lawsuits, claims or assessments, including civil rights complaints.

I. COMMITMENTS AND CONTINGENCIES

The Center participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Center, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE FINANCIAL STATEMENTS
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III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

J. PROPERTY INSURANCE AND PERSONNEL BONDS

The Center carries insurance on the building in the amount of \$45,630,874. Contents and valuable papers and records to “Direct Physical loss, replacement cost Business Personal Property” in the amount of \$11,790,054. Vehicles are insured at actual cash value and each vehicle carries property damage and medical liability insurance as required by state law. All employees are bonded for \$1,000,000 each under blanket coverage. Premiums, although covering periods extending into subsequent years, are recorded as expenditures at the time of purchase.

K. DEFINED PENSION PLAN

Plan Description. The Center participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Board of Trustees of the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution.

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.

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

Benefits Provided. TRS provides retirement, disability, and death benefits. Membership in the plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2019 through 2024.

Contributions. Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the Texas Legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent 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 it increases the amortization period of TRS' unfunded actuarial liability to greater than 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.

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III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

K. DEFINED PENSION PLAN

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the plan during the fiscal year reduced by the employer contributions. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

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

In addition to the employer contributions listed above, employers are required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.6 percent of the member's salary beginning in fiscal year 2021, gradually increasing to 2 percent in fiscal year 2025. The surcharge for fiscal year 2022 is 1.7 percent.
- When employing a retiree of the Teacher Retirement System the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

The following table shows contribution rates by type of contributor for the fiscal years 2021 and 2022.

Contribution Rates	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current fiscal year employer contributions		\$ 1,440,335
Current fiscal year member contributions		\$ 2,167,609
2021 measurement year NECE on-behalf contributions		\$ 964,786

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

Net Pension Liability

Components of the net pension liability of the plan as of August 31, 2021 are disclosed below: (From TRS Annual Comprehensive Financial Report 2021, p. 86.)

Components of Liability	Amount
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%

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K. DEFINED PENSION PLAN

Actuarial Assumptions.

Roll Forward - The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018.

The post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, also with full generational mortality.

The long-term expected rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following table discloses the assumptions that were applied to this measurement period. (From TRS Annual Comprehensive Financial Report 2021, p. 87.)

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 2021	1.95% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GOAA Index."
Last year ending August 31 in Projection Period (100 years)	2120
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the TRS actuarial valuation report date November 9, 2020.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2021, are presented in the following table from the TRS Annual Comprehensive Financial Report for 2021, p. 53.

Asset Class*	Target Allocation**	Long-Term Expected Arithmetic Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources and Infrastructure	6.00%	4.70%	0.35%
Commodities	0.00%	1.70%	0.00%
Risk Parity	8.00%	2.80%	0.28%
Asset Allocation Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	<u>100.00%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2021 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).

Discount Rate Sensitivity Analysis. The following table presents the Center's net pension liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate. The discount rate can be found in the 2021 TRS ACFR, Note 11, page 84.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability:	\$ 13,454,497	\$ 6,157,217	\$ 236,908

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K. DEFINED PENSION PLAN

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31 2022, the Center reported a liability of \$6,157,217 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the Center. The amount recognized by the Center as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Center were as follows:

Center's proportionate share of the collective net pension liability	\$ 6,157,217
State's proportionate share that is associated with the Center	<u>5,757,426</u>
Total	<u><u>\$ 11,914,643</u></u>

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

At August 31, 2021 the employer’s proportion of the collective net pension liability was 0.02417777507%, which was a decrease of 0.0042394388% from its proportion measured as of August 31, 2020.

Changes In Actuarial Assumptions Since the Prior Actuarial Valuation – There were no changes in assumptions since the prior measurement date.

Changes in Benefits – There were no changes in benefits.

For the year ended August 31, 2022, the Center recognized pension expense of \$563,718 and revenue of \$23,017 for support provided by the State in the Government Wide Statement of Activities.

At 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
Differences between expected and actual actuarial experiences	\$ 10,304	\$ 433,473
Changes in actuarial assumptions	2,176,456	948,748
Differences between projected and actual investment earnings	-	5,162,747
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	728,182	1,715,069
Contributions paid to TRS subsequent to the measurement date	<u>1,440,335</u>	<u>-</u>
Total as of fiscal year-end	<u><u>\$ 4,355,277</u></u>	<u><u>\$ 8,260,037</u></u>

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K. DEFINED PENSION PLAN

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

<u>Year ended August 31,</u>	<u>Pension Expense</u>
	<u>Amount</u>
2023	\$ (830,250)
2024	(895,154)
2025	(1,405,639)
2026	(1,777,485)
2027	(327,952)
Thereafter	(108,615)

L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The Center participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered 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.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2021 as presented in the TRS 2021 ACFR (p. 76) are as follows:

<u>Components of Liability</u>	<u>Amount</u>
Total OPEB Liability	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	(2,539,424,470)
Net OPEB Liability	<u>\$ 38,574,286,613</u>
Net Position as Percentage of Total OPEB Liability	6.18%

Benefits Provided. TRS-Care 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 system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. 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.

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L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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 SB 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 presented in the following table:

TRS-Care Monthly Premium Rates		
	<u>Medicare</u>	<u>Non-Medicare</u>
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 upon on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75 percent 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		
	<u>2021</u>	<u>2022</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Fundings Remitted By Employers	1.25%	1.25%
Current fiscal year employer contributions		\$ 368,496
Current fiscal year member contributions		\$ 176,125
2021 measurement year NECE on-behalf contributions		\$ 380,406

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L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When employers hire a TRS retiree, employers are required to pay TRS Care a monthly surcharge of \$535 per retiree.

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 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.

In addition to the demographic assumptions: salary increases and inflation rates used for members of TRS are identical to the assumptions employed in the August 31, 2021 annual pension actuarial valuation.

The rates of mortality, retirement, termination, and disability incidence are identical to the assumptions used to value the pension liability of the Teacher Retirement System of Texas (TRS). 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, with full generational mortality using Scale BB. 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.

Election Rates for Normal retirement - 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Election Rates for pre-65 Retirees - 25 percent are assumed to discontinue coverage at age 65.

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
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05%, including inflation
Ad-hoc Post Employment Benefit Changes	None

The initial medical trend rates were 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

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L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Discount Rate. A single discount rate of 1.95 percent was used to measure the total OPEB liability. This was a decrease of .38 percent in the discount rate since the previous year. The Discount Rate can be found in the 2021 TRS ACFR on page 77. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discounted rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
Proportionate share of the net OPEB liability:	\$ 16,910,921	\$ 14,019,644	\$ 11,744,115

Healthcare Cost Trend 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 one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	\$ 11,355,447	\$ 14,019,644	\$ 17,594,335

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 \$14,019,644 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the Center. The amount recognized by the Center as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Center were as follows:

Center's proportionate share of the collective net pension liability	\$ 14,019,644
State's proportionate share that is associated with the Center	18,783,199
Total	\$ 32,802,843

The Net OPEB Liability was measured as of 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 employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective Net OPEB Liability was 0.0363443607% which was a decrease of 0.0059322789% from its proportion measured as of August 31, 2020.

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L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation – The discount rate changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the total OPEB liability.

Changes in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2022, the Center recognized OPEB expense of \$(1,354,337) and revenue of \$(693,243) for support provided by the State.

At 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
Differences between expected and actual actuarial experiences	\$ 603,612	\$ 6,786,488
Changes in actuarial assumptions	1,552,840	2,964,895
Differences between projected and actual investment earnings	15,221	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,289,963	3,250,599
Contributions paid to TRS subsequent to the measurement date	368,496	-
Total as of fiscal year-end	\$ 3,830,132	\$ 13,001,982

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

<u>Year ended August 31,</u>	<u>OPEB Expense Amount</u>
2023	\$ (1,664,488)
2024	(1,664,832)
2025	(1,664,738)
2026	(1,295,708)
2027	(796,097)
Thereafter	(2,454,483)

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M. HEALTH CARE COVERAGE-ACTIVE EMPLOYEES

Plan Description. During the year ended August 31, 2022, employees of the Center were covered by a health insurance plan (the “Plan”). The Center paid premiums of \$618 per month per full-time employee, \$305 per month for part-time employee, respectively, to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by AETNA, Allegian HMO Plan. Caremark administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Medicare Part D. Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. These on-behalf payments of \$94,425, \$102,192, and \$125,269 were recognized for the years ended August 31, 2022, 2021, and 2020, respectively, as equal revenues and expenditures.

N. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

At August 31, 2022, the Center had no liability for accrued sick leave or vacation leave.

O. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

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P. SHARED SERVICE AGREEMENTS

The Center is the fiscal agent for a Shared Service Arrangement (“SSA”), which provides assistance to support various comprehensive professional development plans to the member districts listed below. The fiscal agent provides all services. According to guidance provided in TEA’s Resource Guide, the Center has accounted for fiscal agent’s activities of the SSA in a special revenue fund and will be accounted for using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

County		Title 1	Title II	Title III
District	Member Districts	Part C, Migrant	Part A	Part A ELA
		301	342	350
024901	Brooks County ISD	\$ -	\$ -	\$ 3,633
240801	Gateway Academy Charter District	-	-	11,386
124901	Jim Hogg ISD	-	-	9,361
108914	La Villa ISD	-	-	909
245901	Lasara ISD	-	-	5,765
108804	Midvalley Academy Charter District	-	-	10,429
078103	Paso Del Norte Academy Charter	-	-	5,093
214902	San Isidro ISD	-	-	4,091
245904	San Perlita ISD	-	-	3,545
031914	Santa Rosa ISD	-	-	19,613
071803	Triumph Public HS - El Paso	-	-	337
240801	Triumph Public HS - Laredo	-	1,261	875
108804	Triumph Public HS - Rio Grande Valley	-	2,117	550
240904	Webb CONS ISD	-	-	2,486
		<u>\$ -</u>	<u>\$ 3,378</u>	<u>\$ 78,073</u>

End of Notes

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 20,013,279	\$ 25,729,612	\$ 25,808,390	\$ 78,778
5800 State Program Revenues	2,784,004	2,784,004	2,374,008	(409,996)
5900 Federal Program Revenues	3,738,994	2,545,139	2,324,707	(220,432)
5020 Total Revenues	26,536,277	31,058,755	30,507,105	(551,650)
EXPENDITURES:				
Current:				
0011 Instruction	4,338,355	7,564,811	8,015,705	(450,894)
0012 Instructional Resources and Media Services	1,266,305	1,338,475	1,302,148	36,327
0013 Curriculum and Instructional Staff Development	7,868,737	8,312,525	7,257,780	1,054,745
0021 Instructional Leadership	784,557	852,505	840,431	12,074
0023 School Leadership	15,158	15,158	10,865	4,293
0041 General Administration	3,527,002	3,547,411	2,725,103	822,308
0051 Facilities Maintenance and Operations	1,100,613	1,375,025	1,266,177	108,848
0053 Data Processing Services	3,397,782	3,523,116	2,819,631	703,485
0061 Community Services	36,595	90,908	48,348	42,560
0062 School District Administrative Support (ESC Only)	3,410,915	3,504,727	2,706,424	798,303
Debt Service:				
0071 Principal on Long-Term Liabilities	790,258	641,778	558,441	83,337
0072 Interest on Long-Term Liabilities	-	223,480	198,768	24,712
6030 Total Expenditures	26,536,277	30,989,919	27,749,821	3,240,098
1100 Excess of Revenues Over Expenditures	-	68,836	2,757,284	2,688,448
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(45,000)	(376,147)	(331,147)
1200 Net Change in Fund Balances	-	23,836	2,381,137	2,357,301
0100 Fund Balance - September 1 (Beginning)	24,634,081	24,634,081	24,634,081	-
3000 Fund Balance - August 31 (Ending)	\$ 24,634,081	\$ 24,657,917	\$ 27,015,218	\$ 2,357,301

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

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Pension Liability (Asset)	0.024177751%	0.028417189%	0.027086067%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,157,217	\$ 15,219,667	\$ 14,080,185
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,757,426	14,863,334	15,634,106
Total	<u>\$ 11,914,643</u>	<u>\$ 30,083,001</u>	<u>\$ 29,714,291</u>
District's Covered Payroll	\$ 22,532,195	\$ 30,083,001	\$ 29,714,291
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.33%	50.59%	47.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.79%	75.54%	75.24%

Note: GASB Codification, Vol. 2, P20.183 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, 2021 for year 2022, August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.027329053%	0.025970792%	0.024595365%	0.0254251%	0.014951%
\$ 15,042,988	\$ 8,304,060	\$ 9,294,223	\$ 8,987,434	3,993,619
18,014,742	10,117,370	11,407,472	9,336,464	7,143,012
<u>\$ 33,057,730</u>	<u>\$ 18,421,430</u>	<u>\$ 20,701,695</u>	<u>\$ 18,323,898</u>	<u>\$ 11,136,631</u>
\$ 33,057,730	\$ 18,421,430	\$ 20,701,695	\$ 18,323,898	11,136,631
45.51%	45.08%	44.90%	49.05%	35.86%
73.74%	82.17%	78.00%	78.43%	83.25%

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 1,440,335	\$ 1,025,783	\$ 1,164,197
Contribution in Relation to the Contractually Required Contribution	(1,440,335)	(1,025,783)	(1,164,197)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 37,003,488	\$ 22,532,195	\$ 25,786,574
Contributions as a Percentage of Covered Payroll	3.89%	4.55%	4.51%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District'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 the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2019	2018	2017	2016	2015
\$	941,542	\$ 938,478	\$ 851,178	\$ 781,457	\$ 752,848
	(941,542)	(938,478)	(851,178)	(781,457)	(752,848)
\$	-	\$ -	\$ -	\$ -	\$ -
\$	24,463,793	\$ 24,571,186	\$ 22,556,245	\$ 20,618,432	\$ 18,328,960
	3.85%	3.82%	3.77%	3.79%	4.11%

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF THE CENTER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2022

	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.036344361%	0.04227664%	0.04077012%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 14,019,644	\$ 16,071,260	\$ 19,280,688
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	18,783,199	21,595,921	25,619,724
Total	<u>\$ 32,802,843</u>	<u>\$ 37,667,181</u>	<u>\$ 44,900,412</u>
District's Covered Payroll	\$ 22,532,195	\$ 37,667,181	\$ 44,900,412
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	62.22%	42.67%	42.94%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	6.18%	4.99%	2.66%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts reported for FY 2022 are for measurement date August 31, 2021. The amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.04068466%	0.039181105%
\$ 20,314,223	\$ 17,038,393
15,721,741	13,398,780
<u>\$ 36,035,964</u>	<u>\$ 30,437,173</u>
\$ 36,035,964	\$ 30,437,173
56.37%	55.98%
1.57%	0.91%

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF CENTER'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2022

	2022	2021	2020
Contractually Required Contribution	\$ 368,496	\$ 278,298	\$ 314,010
Contribution in Relation to the Contractually Required Contribution	(368,496)	(278,298)	(314,010)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 37,003,488	\$ 22,532,195	\$ 25,786,574
Contributions as a Percentage of Covered Payroll	1.00%	1.24%	1.22%

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

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

<hr/>	
2019	2018
<hr/>	<hr/>
\$ 281,740	\$ 282,885
(281,740)	(282,885)
<hr/>	<hr/>
\$ -	\$ -
<hr/> <hr/>	<hr/> <hr/>
\$ 24,463,793	\$ 24,931,186
1.15%	1.13%

REGION ONE EDUCATION SERVICE CENTER
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund. The Center is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The Center compares the final amended budget to actual revenue and expenditures. The Center presented the General Fund budgetary comparison schedule 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, the Center prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments 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. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget. The Center had not outstanding end-of-year encumbrances.

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

Data Control Codes	203 Child Care Development Block Grant	206 ESSA, IX, A Homeless Children Ed.	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	5,292	334,256
1260	Due from Other Funds	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 5,292</u>	<u>\$ 334,256</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	-	5,292	334,256
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>-</u>	<u>5,292</u>	<u>334,256</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3600	Unassigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 5,292</u>	<u>\$ 334,256</u>

220 Adult Basic Education Federal	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief -CARES
\$ -	\$ -	\$ 6,572	\$ -	\$ -	\$ -	\$ -	\$ -
60,339	41,010	384,100	209,754	51,587	51,191	6,125	92,434
-	-	-	-	-	-	-	-
<u>\$ 60,339</u>	<u>\$ 41,010</u>	<u>\$ 390,672</u>	<u>\$ 209,754</u>	<u>\$ 51,587</u>	<u>\$ 51,191</u>	<u>\$ 6,125</u>	<u>\$ 92,434</u>
\$ -	\$ -	\$ 6,406	\$ -	\$ -	\$ -	\$ -	\$ -
57,055	-	-	-	-	-	-	-
3,284	41,010	384,100	209,754	51,587	51,191	6,125	92,434
-	-	166	-	-	-	-	-
<u>60,339</u>	<u>41,010</u>	<u>390,672</u>	<u>209,754</u>	<u>51,587</u>	<u>51,191</u>	<u>6,125</u>	<u>92,434</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 60,339</u>	<u>\$ 41,010</u>	<u>\$ 390,672</u>	<u>\$ 209,754</u>	<u>\$ 51,587</u>	<u>\$ 51,191</u>	<u>\$ 6,125</u>	<u>\$ 92,434</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

Data Control Codes	276 Title I - SIP Academy Grant	278 ESSER (ARP) Homeless Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	-	56,511
1260	Due from Other Funds	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,511</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	-	-	56,511
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>56,511</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3600	Unassigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,511</u>
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,065</u>

289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant	338 SSA - Career & Technical - Work Force	342 SSA - ESEA Title II,A Training	350 SSA - III, A English Lang. Acquisition	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	405 ESC Gifted and Talented
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
361,836	-	260,470	-	42,060	30,343	-	820
-	-	-	-	-	-	-	-
<u>\$ 361,836</u>	<u>\$ -</u>	<u>\$ 260,470</u>	<u>\$ -</u>	<u>\$ 42,060</u>	<u>\$ 30,343</u>	<u>\$ -</u>	<u>\$ 820</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
361,836	-	260,470	-	42,060	30,343	-	820
-	-	-	-	-	-	-	-
<u>361,836</u>	<u>-</u>	<u>260,470</u>	<u>-</u>	<u>42,060</u>	<u>30,343</u>	<u>-</u>	<u>820</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 361,836</u>	<u>\$ -</u>	<u>\$ 260,470</u>	<u>\$ -</u>	<u>\$ 42,060</u>	<u>\$ 30,343</u>	<u>\$ -</u>	<u>\$ 820</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

Data Control Codes	429 Other State Special Revenue Funds	482 Financial Literacy	483 T-STEAM Training	490 Chapter 41	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 59,925	\$ 161,933	\$ 292,590
1240	Due from Other Governments	60,356	-	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	<u>\$ 60,356</u>	<u>\$ 59,925</u>	<u>\$ 161,933</u>	<u>\$ 292,590</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	60,356	13	-	122,590
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>60,356</u>	<u>13</u>	<u>-</u>	<u>122,590</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	75,595	161,933	170,000
3600	Unassigned Fund Balance	-	(15,683)	-	-
3000	Total Fund Balances	<u>-</u>	<u>59,912</u>	<u>161,933</u>	<u>170,000</u>
4000	Total Liabilities and Fund Balances	<u>\$ 60,356</u>	<u>\$ 59,925</u>	<u>\$ 161,933</u>	<u>\$ 292,590</u>

491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 263,925	\$ 1,108,345	\$ 1,893,290
4,868	2,801	2,970,405
122,590	-	122,590
<u>\$ 391,383</u>	<u>\$ 1,111,146</u>	<u>\$ 4,986,285</u>
\$ -	\$ -	\$ 6,406
-	-	57,055
167,213	276,010	3,471,507
-	-	166
<u>167,213</u>	<u>276,010</u>	<u>3,535,134</u>
-	192,469	599,997
224,170	642,667	851,154
<u>224,170</u>	<u>835,136</u>	<u>1,451,151</u>
<u>\$ 391,383</u>	<u>\$ 1,111,146</u>	<u>\$ 4,986,285</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	203 Child Care Development Block Grant	206 ESSA, IX, A Homeless Children Ed.	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	74,503	20,889	1,197,647	1,972,877
5020 Total Revenues	<u>74,503</u>	<u>20,889</u>	<u>1,197,647</u>	<u>1,972,877</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	215,572
0013 Curriculum and Instructional Staff Development	74,236	-	828,872	181,115
0021 Instructional Leadership	-	-	117,078	117,645
0023 School Leadership	-	-	-	-
0033 Health Services	-	-	-	-
0051 Facilities Maintenance and Operations	267	-	6,032	72,401
0053 Data Processing Services	-	439	16,353	92,511
0061 Community Services	-	-	-	91,823
0062 School District Administrative Support (ESC Only)	-	20,450	229,312	1,199,888
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	1,142
0072 Interest on Long-Term Liabilities	-	-	-	780
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>74,503</u>	<u>20,889</u>	<u>1,197,647</u>	<u>1,972,877</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

220 Adult Basic Education Federal	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	241 ESC Child Nutrition	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief -CARES
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
318,770	-	-	-	-	-	-	-
2,642,345	278,743	2,758,667	654,654	223,338	105,873	113,972	205,854
2,961,115	278,743	2,758,667	654,654	223,338	105,873	113,972	205,854
1,490,319	-	-	-	-	-	-	-
17,092	263,630	2,310,004	-	89,082	105,873	113,972	61,682
156,438	-	222,106	-	32,079	-	-	29,445
913,041	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
278,542	10,921	136,747	27,422	1,422	-	-	-
100,970	4,192	87,957	13,170	10,141	-	-	-
-	-	-	-	-	-	-	-
-	-	-	611,902	-	-	-	114,727
3,745	-	1,784	2,002	-	-	-	-
968	-	69	158	-	-	-	-
-	-	-	-	90,614	-	-	-
2,961,115	278,743	2,758,667	654,654	223,338	105,873	113,972	205,854
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	276 Title I - SIP Academy Grant	278 ESSER (ARP) Homeless Children	281 ESSER II CRRSA Act Supplemental	282 ESSER III ARP Act
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	357,792	554,250
5020 Total Revenues	-	-	357,792	554,250
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	328,722	233,761
0021 Instructional Leadership	-	-	14,429	121,255
0023 School Leadership	-	-	-	-
0033 Health Services	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	8,715	3,717
0053 Data Processing Services	-	-	5,926	6,585
0061 Community Services	-	-	-	-
0062 School District Administrative Support (ESC Only)	-	-	-	188,932
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	-	-	357,792	554,250
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

289 Other Federal Special Revenue Funds	301 SSA ESEA I, C Migrant	338 SSA - Career & Technical - Work Force	342 SSA - ESEA Title II,A Training	350 SSA - III, A English Lang. Acquisition	385 Visually Impaired SSVI	392 Non-Ed. Community Based Support	405 ESC Gifted and Talented
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	296,415	-	9,425
699,346	-	498,419	31,377	87,040	-	-	-
699,346	-	498,419	31,377	87,040	296,415	-	9,425
-	-	262,785	-	-	224,528	-	-
65,641	-	109,820	3,377	75,572	51,100	-	9,425
129,383	-	53,333	-	-	-	-	-
-	-	-	-	-	-	-	-
223,551	-	-	-	-	-	-	-
15,432	-	5,157	-	-	15,190	-	-
6,563	-	-	-	-	5,597	-	-
128,975	-	-	-	2,500	-	-	-
129,801	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	67,324	28,000	8,968	-	-	-
699,346	-	498,419	31,377	87,040	296,415	-	9,425
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	429 Other State Special Revenue Funds	482 Financial Literacy	483 T-STEAM Training	490 Chapter 41
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	333,276	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>333,276</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0013 Curriculum and Instructional Staff Development	309,128	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0033 Health Services	-	-	-	-
0051 Facilities Maintenance and Operations	9,114	-	-	-
0053 Data Processing Services	4,390	-	-	-
0061 Community Services	10,644	15,683	-	-
0062 School District Administrative Support (ESC Only)	-	-	-	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	<u>333,276</u>	<u>15,683</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	(15,683)	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>75,595</u>	<u>161,933</u>	<u>170,000</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 59,912</u>	<u>\$ 161,933</u>	<u>\$ 170,000</u>

491 STAAR One Item Bank	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ 146,900	\$ 146,900
-	-	957,886
-	336,489	12,814,075
-	483,389	13,918,861
-	176,812	2,370,016
-	-	5,232,104
-	1,116	994,307
-	-	913,041
-	-	223,551
-	6,369	597,448
-	2,195	356,989
-	-	249,625
-	-	2,495,012
-	-	8,673
-	-	1,975
-	-	194,906
-	186,492	13,637,647
-	296,897	281,214
224,170	538,239	1,169,937
\$ 224,170	\$ 835,136	\$ 1,451,151

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2022

	752 Print Shop	754 Computer Operations	799 Internal Service Fund	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 170,441	\$ 153,663	\$ 1,194,408	\$ 1,518,512
Due from Other Governments	327,978	483	199,451	527,912
Due from Other Funds	-	81,534	225,682	307,216
Other Receivables	250	-	-	250
Inventories	82,698	-	-	82,698
Other Current Assets	-	-	404	404
Total Current Assets	<u>581,367</u>	<u>235,680</u>	<u>1,619,945</u>	<u>2,436,992</u>
Noncurrent Assets:				
Capital Assets:				
Buildings and Improvements	-	-	85,813	85,813
Depreciation on Buildings	-	-	(62,750)	(62,750)
Furniture and Equipment	31,865	458,179	285,015	775,059
Depreciation on Furniture and Equipment	(27,810)	(407,795)	(281,005)	(716,610)
Total Noncurrent Assets	<u>4,055</u>	<u>50,384</u>	<u>27,073</u>	<u>81,512</u>
Total Assets	<u>585,422</u>	<u>286,064</u>	<u>1,647,018</u>	<u>2,518,504</u>
LIABILITIES				
Current Liabilities:				
Due to Other Funds	<u>2,907</u>	<u>286,064</u>	<u>112,833</u>	<u>401,804</u>
Total Liabilities	<u>2,907</u>	<u>286,064</u>	<u>112,833</u>	<u>401,804</u>
NET POSITION				
Unrestricted Net Position	<u>582,515</u>	<u>-</u>	<u>1,534,185</u>	<u>2,116,700</u>
Total Net Position	<u>\$ 582,515</u>	<u>\$ -</u>	<u>\$ 1,534,185</u>	<u>\$ 2,116,700</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

	752 Print Shop	754 Computer Operations	799 Internal Service Fund	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 618,069	\$ 762,295	\$ 2,570,109	\$ 3,950,473
Total Operating Revenues	<u>618,069</u>	<u>762,295</u>	<u>2,570,109</u>	<u>3,950,473</u>
OPERATING EXPENSES:				
Payroll Costs	284,262	617,698	379,483	1,281,443
Professional and Contracted Services	173,376	179,901	1,755,234	2,108,511
Supplies and Materials	86,571	237,379	104,606	428,556
Other Operating Costs	675	28,607	215,724	245,006
Depreciation Expense	1,058	45,776	8,581	55,415
Debt Service	103,189	29,081	2,002	134,272
Total Operating Expenses	<u>649,131</u>	<u>1,138,442</u>	<u>2,465,630</u>	<u>4,253,203</u>
Income (Loss) Before Transfers	(31,062)	(376,147)	104,479	(302,730)
Transfer In	<u>-</u>	<u>376,147</u>	<u>-</u>	<u>376,147</u>
Change in Net Position	(31,062)	-	104,479	73,417
Total Net Position - September 1 (Beginning)	<u>613,577</u>	<u>-</u>	<u>1,429,706</u>	<u>2,043,283</u>
Total Net Position - August 31 (Ending)	<u>\$ 582,515</u>	<u>\$ -</u>	<u>\$ 1,534,185</u>	<u>\$ 2,116,700</u>

REGION ONE EDUCATION SERVICE CENTER
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

	752 Print Shop	754 Computer Operations	799 Internal Service Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from User Charges	\$ 618,069	\$ 762,295	\$ 2,570,109	\$ 3,950,473
Cash Payments for Assessments - Other Funds	(370,697)	45,319	(70,850)	(396,228)
Cash Payments to Employees for Services	(284,262)	(617,699)	(379,483)	(1,281,444)
Cash Payments for Contracted Services	(276,565)	(208,981)	(1,757,235)	(2,242,781)
Cash Payments for Suppliers	(86,571)	(237,379)	(104,606)	(428,556)
Cash Payments for Other Operating Expenses	(675)	(74,384)	(224,307)	(299,366)
Net Cash Provided by (Used for) Operating Activities	<u>(400,701)</u>	<u>(330,829)</u>	<u>33,628</u>	<u>(697,902)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer In	-	376,147	-	376,147
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	-	-	33,523	33,523
Net Increase (Decrease) in Cash and Cash Equivalents	(400,701)	45,318	67,151	(288,232)
Cash and Cash Equivalents at Beginning of Year	<u>571,142</u>	<u>108,345</u>	<u>1,127,257</u>	<u>1,806,744</u>
Cash and Cash Equivalents at End of Year	<u>\$ 170,441</u>	<u>\$ 153,663</u>	<u>\$ 1,194,408</u>	<u>\$ 1,518,512</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ (31,062)	\$ (376,147)	\$ 104,479	\$ (302,730)
Adjustments to Reconcile Operating Income				
to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	1,058	45,775	(24,943)	21,890
Effect of Increases and Decreases in Current				
Assets and Liabilities:				
Decrease (increase) in Receivables	(187,461)	(457)	(76,446)	(264,364)
Decrease (increase) in Inventories	(5,382)	-	-	(5,382)
Decrease (increase) in Due to Other Funds	-	-	30,538	30,538
Increase (decrease) in Due To Other Funds	(177,854)	-	-	(177,854)
Net Cash Provided by (Used for)				
Operating Activities	<u>\$ (400,701)</u>	<u>\$ (330,829)</u>	<u>\$ 33,628</u>	<u>\$ (697,902)</u>



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

INDEPENDENT AUDITORS' 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 Trustees
Region One Education Service Center
Edinburg, Texas

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 the Region One Education Service Center (the "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 January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



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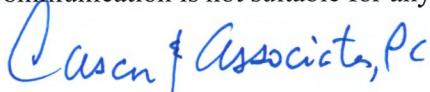


Report on Compliance and Other Matters

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cascos & Associates, PC
Brownsville, Texas
January 25, 2023



Cascos & Associates, PC

Certified Public Accountants
Audit/Accounting/Tax/Consulting

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

Board of Trustees
Region One Education Service Center
Edinburg, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Region One Education Service Center's (the "Center") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended August 31, 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 each of 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 each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' 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 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.

Casco & Associates, PC

Casco & Associates, PC
Brownsville, Texas
January 25, 2023

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2022

I. Summary of the Auditors' Results:

Financial Statements

Type of auditors' report on financial statements in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to the financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Type of auditors' report on compliance with major programs:	Unmodified
Any audit findings which are required to be reported in accordance with 2 CRF 200.516(a) or Texas Uniform Grant Management Standards:	No

Major programs are as follows:

<u>Name of Federal Program:</u>	<u>Assistance listing:</u>
ESEA TIA Improvement	84.010A
Title IV, GEAR UP Program	84.334A
Education Stablization Fund	84.425D, 84.425U
<u>Name of State Program:</u>	
Adult Education	N/A
Math Academies ESC Implementation Grant	N/A
ESC Diagnostic	N/A

Dollar threshold used to distinguish between Type A and Type B federal programs:	\$995,433
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Dollar threshold used to distinguish between Type A and Type B state programs:	\$300,000
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Low risk auditee:	
Uniform Guidance	Yes
Texas Uniform Grant Management Standards	Yes

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

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

Reference No.

Finding/Noncompliance

None reported.

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	Passed Through Subrecipients	(4) Total Federal Expenditures & Indirect Cost
FEDERAL AWARDS				
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Texas Department of Agriculture:</i>				
ESC Child Nutrition Program	10.560	108-950	-	54,602
ESC Child Nutrition Program	10.560	108-950	-	681,110
Total Federal Assistance Listing Number 10.560			-	735,712
Total Passed Through Texas Department of Agriculture:			-	735,712
<i>Passed Through Texas Health and Human Services Commission:</i>				
SNAP - Ed	10.561	HHS000640200034	-	78,702
Total Federal Assistance Listing Number 10.561			-	78,702
Total Passed Through Texas Health and Human Services Commission			-	814,414
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	814,414
U.S. DEPARTMENT OF EDUCATION				
<i>Direct Programs:</i>				
Title IV, Operation College Bound	84.066A	P066A210044	-	270,278
Title IV, Pathways to the Future!, GEAR UP Program	84.334A	P334A210014	560,658	1,645,259
Title IV, College Ready, GEAR UP Program	84.334A	P334A180024	2,339,849	5,043,935
Title IV, College Now, GEAR UP Program	84.334A	P334A180025	2,812,687	6,648,765
Total Federal Assistance Listing Number 84.334A			5,713,194	13,337,959
Title II, Project RISE	84.374A	U374A160002	3,130,917	4,095,043
			3,130,917	4,095,043
Total Direct Programs			8,844,111	17,703,280
<i>Passed Through State Department of Education:</i>				
ESC School Improvement Facilitation	84.010A	226101547110001	-	945,673
School Improvement Facilitation	84.010A	206101547110001	-	24,974
ESC ESSA Basic Services - 6101	84.010A	226101197110001	-	91,804
ESC Comprehensive School Support C3	84.010A	216101537110001	-	71,325
TX Instructional Leader Expansion - Title I, A	84.010A	226101457110001	-	49,965
ESC Texas Instructional Leadership (TIL) Lead	84.010A	216101507110001	-	162,455
Total Federal Assistance Listing Number 84.010A			-	1,346,196
ESC ESSA Basic Services Initiatives (6150)	84.011A	226150027110001	-	1,588,145
MEP Systems Initiative	84.011A	226150377110001	-	631,303
Total Federal Assistance Listing Number 84.011A			-	2,219,448
*2021-2022 ESC IDEA-B Special Education Leadership	84.027A	226600567110001	-	2,141,563
*ESC IDEA-B Sensory Imp	84.027A	226600227110001	-	23,311
*2021-2022 ESC Special Education Liaisons	84.027A	226600657110001	-	187,378
*Network 10: Multiple Exceptionalalities and Multiple Needs	84.027A	226600797110001	-	597,653
Total Federal Assistance Listing Number 84.027A			-	2,949,905
ESC CTE - Leadership	84.048A	224200097110001	-	13,311
2020-2021 CTE Perkins Reserve Grant	84.048A	214200287110001	90,614	163,405
2021-2022 CTE Perkins Reserve Grant	84.048A	224200287110002	67,324	519,974
ESC CTE Admin	84.048A	224200107110001	-	53,074
Total Federal Assistance Listing Number 84.048A			157,938	749,764

REGION ONE EDUCATION SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	Passed Through Subrecipients	(4) Total Federal Expenditures & Indirect Cost
*IDEA - B Preschool ESCS	84.173A	226610227110001	-	313,217
2021-2022 ESC Capacity Building Grant	84.196A	224600087110001	-	23,478
2021-2022 ESC Title III, Part A Basic Services Grant	84.365A	226710027110001	-	93,245
2021-2022 Title III Enhancing Program Implementation	84.365A	226710157110001	-	34,717
Title III, Part A - ELA	84.365A	20671001108950	3,332	7,917
Title III, Part A - ELA	84.365A	21671001108950	1,247	3,501
Title III, Part A - ELA	84.365A	22671001108950	4,388	85,391
Total Federal Assistance Listing Number 84.365A			8,967	224,771
ESC Essa Basic Services - 6945	84.367A	216945747110001	-	20,928
2021-2022 ESC Equity Plan Support	84.367A	226945647110001	-	8,236
Tx Instructional Leader Expansion - Title II, A	84.367A	216945737110001	-	89,928
Title II, Part A - Supporting Effective Instruction	84.367A	20694501108950	28,000	31,789
Total Federal Assistance Listing Number 84.367A			28,000	150,881
ESC Title IV Mental Behavioral Health	84.424A	216801107110001	-	2,747
ESC Title IV Mental Behavioral Health	84.424A	226801117110001	-	42,896
ESC ESSA Basic Services - 6801	84.424A	226801057110001	-	81,433
Total Federal Assistance Listing Number 84.424A			-	127,076
COVID-19 - ESC ESSER II Tech Assist	84.425D	215210467110001		47,732
COVID-19 - ESC THL Dedicated Staff - ESSER II	84.425D	215210407110001		354,385
COVID-19 - ESSER THL ESC Plan & Implement	84.425D	205210177110001		193,609
COVID-19 - ESC Esser Tech Assistance	84.425D	20521011108950		37,922
Public Health Workforce Supplemental	84.425D	223934017110001	303,300	390,989
Total Federal Assistance Listing Number 84.425D			303,300	1,024,637
COVID-19 - ESC ESSER III Tech Assist	84.425U	215280457110001	-	27,754
COVID-19 - ESC Texas Tutoring Support	84.425U	215280277110001	-	217,217
COVID-19 - ESC OP Supp Accel Learning	84.425U	215280417110001	-	377,840
Total Federal Assistance Listing Number 84.425U			-	622,811
ESC ESSA Basic Services - 6000	84.999	226000117110001	-	46,756
Recess Year 3	93.575	193928037110002	-	83,598
Total Passed Through State Department of Education			498,205	9,882,538
<i>Passed Through Texas Health and Human Services Commission:</i>				
*Special Education-Grants to States	84.027	HHS000640200034	-	41,382
Special Education-Grants for Infants & Families with Disabilities	84.181	HHS000640200034	-	1,419,400
Total Passed Through Texas Health and Human Services Commission			-	1,460,782
<i>Passed Through Texas Workforce Commission:</i>				
Adult Education and Literacy Service Provider Grant	84.002A	2318ALAD00	-	1,601,663
Adult Basic Education - Civics	84.002A	2318ALAD00	-	1,020,347
Total Federal Assistance Listing Number 84.002A			-	2,622,010
Total Passed Through Texas Workforce Commission			-	2,622,010
TOTAL U.S. DEPARTMENT OF EDUCATION			9,342,316	31,668,610

REGION ONE EDUCATION SERVICE CENTER
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2022

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal Assistance Listing Number	(3) Pass-Through Entity Identifying Number	Passed Through Subrecipients	(4) Total Federal Expenditures & Indirect Cost
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
<i>Passed Through Texas Workforce Commission:</i>				
Adult Education and Literacy Service Provider Grant	93.558	2318ALAD00	-	226,664
Total Passed Through Texas Workforce Commission			-	226,664
<i>Passed Through Texas Health and Human Services Commission:</i>				
Special Education-Temporary Assistance for Needy Families	93.558	HHS000640200034	-	194,495
Medicaid Administrative Claiming Program	93.778	529-11-0040-00016	-	276,916
Total Passed Through Texas Health and Human Services Commission			-	698,075
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			-	698,075
Total Expenditures of Federal Awards			9,342,316	33,181,099
STATE AWARDS				
<i>State Department of Education:</i>				
Math Academies ESC Implementation Grant	N/A	210281057110001	-	56,373
ESC Diagnostic Support	N/A	210291797110001	-	44,883
Total State Department of Education			-	101,256
<i>Region VI Education Service Center:</i>				
2020-2021 Texas Lesson Study grant	N/A	210291547110003	-	18,062
2020-2021 Texas Lesson Study grant	N/A	210292107110003	-	24,136
2021-2022 Texas Lesson Study grant	N/A	220291547110003	-	95,524
2021-2022 Texas Lesson Study grant	N/A	220292107110003	-	102,726
Total Region VI Education Service Center			-	240,448
<i>Texas Health and Human Services Commission:</i>				
Respite GR	N/A	HHS000640200034	-	10,644
Early Childhood Intervention	N/A	HHS000640200034	-	851,959
Total Texas Health and Human Services Commission			-	862,603
<i>Texas Workforce Commission:</i>				
Adult Basic Education	N/A	2318ALAD00	-	318,770
Total Texas Workforce Commission			-	318,770
Total Expenditures of State Awards			-	1,523,077
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 9,342,316	\$ 34,704,176

*Special Education Cluster total \$3,304,504

REGION ONE EDUCATION SERVICE CENTER
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2022

1. GENERAL

The Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all applicable federal and state award programs of the Region One Education Service Center (the Center). The Center’s reporting entity is defined in Note I of the financial statements. Federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies, are included on the Schedule.

In accordance with TEA instructions, federal funds for the School Health and Related Services (SHARS) have been excluded from the Schedule.

All federal programs are accounted for and reported in Special Revenue Funds.

2. BASIS OF ACCOUNTING AND PRESENTATION

The Schedule is presented using the modified accrual basis of accounting. The Center’s significant accounting policies, including the modified accrual basis of accounting, are presented in Note 1 of the basic financial statements.

The Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS). Therefore, some of the amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. INDIRECT COSTS

The Center has received a negotiated indirect cost rate from TEA and may not elect to use a de minimis cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

4. The following is the reconciliation of federal and state revenues and the Schedule for the year ended August 31, 2022.

Federal and state revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance- Government Funds (Exhibit C-3)	\$ 41,594,138
Less:	
Other federal and state revenues	<u>6,889,962</u>
Federal expenditures per the Schedule of Expenditures of Federal and State Awards (Exhibit K-1)	<u><u>\$ 34,704,176</u></u>