

**EDUCATION SERVICE CENTER,
REGION 20**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

AUGUST 31, 2009

EDUCATION SERVICE CENTER, REGION 20
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2009

BOARD OF DIRECTORS

Frederick E. Maples, Jr., Chairman
Ismael Sosa, Jr., Vice-Chairman
Mike A. Petter, Secretary
Ronald Eckel
Carol P. Lindsay
Tom T. Winn
Vacant
Charter School Representative – Vacant

Terry W. Smith
Executive Director

Education Service Center Region 20
Annual Financial Report
For The Year Ended August 31, 2009

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CERTIFICATE OF BOARD

Education Service Center Region 20
Name of Service Center

Bexar
County

015-950
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named service center were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2009, at a meeting of the board of directors of such service center on the 16th day of December, 2009 .

Signature of Board Secretary

Signature of Board President

If the board of directors disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)



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Thompson,
Williams,
Biediger,
Kastor
&
Young,
L.C.

CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Education Service Center, Region 20
San Antonio, Texas

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Education Service Center, Region 20 (the Center) as of and for the year ended August 31, 2009, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Center as of August 31, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2009, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Center. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Thompson, Williams, Bridges, Paster & Young L.C.

Certified Public Accountants

San Antonio, Texas

December 16, 2009

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Education Service Center, Region 20's (the "Center") annual financial report presents our discussion and analysis of the Center's financial performance during the fiscal year ended August 31, 2009. Please read it in conjunction with the Center's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

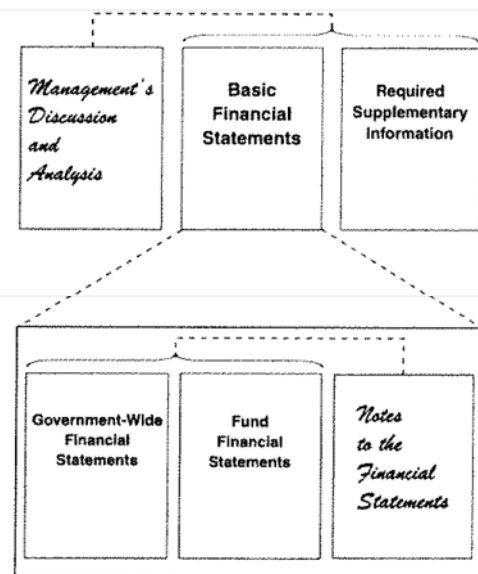
- The Center's total combined net assets were \$42,108,103 at August 31, 2009.
- During the year, the Center's revenues for services, operating grants and other revenues for governmental activities were \$4,828,755 less than the \$47,800,276 in expenditures incurred by the Center.
- The general fund reported a fund balance this year of \$8,392,337.

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 Braille production.
- *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. The Center has no Fiduciary Funds.

Figure A-1, 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. Major Features of the District's Government-wide and Fund Financial Statements

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 management's discussion and analysis explains the structure and contents of each of the statements.

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 assets 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.

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Center's government (except fiduciary funds) and the Center's component units	The activities of the Center that are not proprietary or fiduciary	Activities the Center operates similar to private businesses: self insurance	Instances in which the Center is the trustee or agent for someone else's resources
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures & changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* 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

The two government-wide statements report the Center's net assets and how they have changed. Net assets—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 assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Center, one needs to consider additional nonfinancial factors such as changes in the Center's revenue sources

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, health services and general administration. Charges for services and grants finance most of these activities.

Fund Financial Statements

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

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

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 are 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.

FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

Net assets. The Center's combined net assets were \$42,108,103 at August 31, 2009. (See Table A-1.)

Table A-1
Education Service Center, Region 20 Net Assets
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2009-2008
	2009	2008	2009	2008	2009	2008	
Current Assets:							
Cash and Cash Equivalents	\$ 22,740	\$ 25,610	\$ 968	\$ 740	\$ 23,708	\$ 26,350	(11%)
Due from Other Governments	2,452	2,777	-	-	2,452	2,777	(12%)
Deferred & Other Assets	189	238	-	-	189	238	(21%)
Other Receivables	909	980	164	158	1,073	1,138	(6%)
Inventories – Supplies and Materials	110	122	20	17	130	139	(6%)
Total Current Assets:	26,400	29,727	1,152	915	27,552	30,642	(10%)
Noncurrent Assets:							
Furniture and Equipment	33,327	32,206	429	411	33,756	32,617	3%
Less Accumulated Depreciation	(17,700)	(15,880)	(400)	(379)	(18,100)	(16,259)	11%
Total Noncurrent Assets	15,627	16,326	29	32	15,656	16,358	(4%)
Total Assets	42,027	46,053	1,181	947	43,208	47,000	(8%)
Current Liabilities:							
Accounts Payable and Accrued Liabilities	283	96	-	-	283	96	195%
Due To Other Governments	2	2	-	-	2	2	0%
Due to Other Funds	-	-	-	-	-	-	0%
Deferred Revenue	815	759	-	-	815	759	7%
Total Current Liabilities	1,100	857	-	-	1,100	857	28%
Long-Term Liabilities:							
Capital Lease Payable	-	73	-	-	-	73	(100%)
Total Liabilities	1,100	930	-	-	1,100	930	(100%)
Net Assets:							
Invested in Capital Assets	15,627	16,252	29	32	15,656	16,284	(4%)
Restricted	10,396	15,940	-	-	10,396	15,940	(35%)
Unrestricted	14,904	12,930	1,152	915	16,056	13,845	16%
Total Net Assets	40,927	45,122	1,181	947	42,108	46,069	(9%)

Approximately \$520 thousand of the Center's restricted net assets represent proceeds from state and federal grants. These proceeds when spent are restricted for use for the intended purposes of the various grant agreements. The balance of the amount restricted, \$10.4 million, represents restrictions from contractual agreements with outside parties such as the shared services arrangements established by the Texas Computer Cooperative. Such agreements require the funds from these programs to be spent by established agreement. The decrease in restricted assets is represented largely by the Center expending \$4.9 million of the \$12 million remaining from the funds received in fiscal year 2006-07 for the TCC/ESC Software Development program. These funds are to be expended over several years as the Center develops, enhances, markets, and distributes business, student and Public Education Information management System (PEIMS) accounting software under the auspices of The Texas Computer Cooperative. The \$14.9 million of unrestricted net assets represent resources available to fund the programs of the Center next year.

Changes in net assets. The Center's total revenues were \$43,935,280. A significant portion, 57.3 percent, of the Center's revenue comes from charges for services. (See Figure A-3.) State and federal operating grants provided 39.2 percent, while 3.2 percent relates to unrestricted grants and contributions. Investment earnings and other miscellaneous revenues provided 0.3 percent of total revenues.

The total cost of all programs and services was \$47,896,666, and 11.2 percent of these costs were for payments to members of shared service arrangements, 19.4 percent for staff development, 32.3 percent for data processing services and 12.6 percent for school district administrative support services.

Figure A-3 Center Sources of Revenue for Fiscal Year 2009

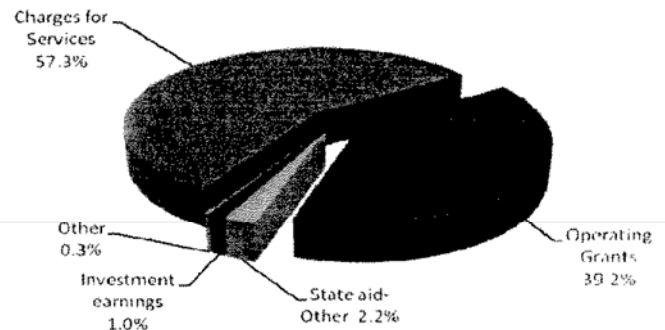


Table A-2
Changes in Education Service Center, Region 20's Net Assets
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2009-2008
	2009	2008	2009	2008	2009	2008	
Program Revenues:							
Charges for Services	\$ 24,198	\$ 24,550	\$ 964	\$ 791	25,162	25,341	(1%)
Operating Grants and Contributions	17,236	16,292	-	-	17,236	16,292	6%
Capital Grants and Contributions	-	-	-	-	-	-	0%
General Revenues							
Property Taxes	-	-	-	-	-	-	0%
State Aid	984	980	-	-	984	980	1%
Investment Earnings	441	1,153	-	-	441	1,153	(62%)
Other	113	80	-	-	113	80	41%
Total Revenues	42,972	43,055	964	791	43,936	43,846	0%
Expenses:							
Instruction	2,339	2,160	-	-	2,339	2,160	8%
Instructional Resources and Media Services	1,373	1,413	-	-	1,373	1,413	(3%)
Curriculum Dev. And Instructional Staff Dev.	9,296	11,204	-	-	9,296	11,204	(17%)
Instructional Leadership	2,259	1,985	-	-	2,259	1,985	14%
Food Service	66	58	-	-	66	58	14%
General Administration	2,405	2,223	-	-	2,405	2,223	8%
Plant Maintenance & Oper.	1,379	1,403	-	-	1,379	1,403	(2%)
Security and Monitoring Svcs	-	-	-	-	-	-	0%
Data Processing Services	15,759	13,400	-	-	15,759	13,400	18%
Community Services	804	691	-	-	804	691	16%
School District Admin. Support Services	6,035	4,756	831	641	6,866	5,397	27%
Interest on Long Term Debt	1	8	-	-	1	8	(88%)
Payments to Fiscal Agent/ Member Dist. - SSA	5,350	4,727	-	-	5,350	4,727	13%
Other Intergovernmental	-	-	-	-	-	-	0%
Total Expenses	47,066	44,028	831	641	47,897	44,669	7%
Excess (Deficiency) Before Other Resources, Uses & Transfers	(4,094)	(973)	133	150	(3,961)	(823)	(381%)
Other Resources (Uses) Transfers In (Out)	(100)	200	100	(200)	-	-	0%
Increase (Decrease) in Net Assets	(4,194)	(773)	233	(50)	(3,961)	(823)	(381%)

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 other local and state revenues. Functions where total cost exceeded fees and operational grants was due largely to the allocation of depreciation expense to all functions and the fact that some programs within that function were being funded by general revenues received by the Center or through the use of fund balances in special revenue funds.

- The cost of all *governmental* activities this year was \$47,066,204.
- The amount paid by those who directly benefited from the programs was \$24,197,963.
- Proceeds from grants and contributions was \$17,236,413.

Table A-3
Net Cost of Selected Center Functions
(in thousands of dollars)

	Total Cost of Services			Net Cost of Services		
	2009	2008	% Change	2009	2008	% Change
Curriculum Dev. And Instructional Staff Dev.	9,296	11,204	(17.0%)	(158)	(593)	73.4%
Data Processing Services	15,759	13,400	17.6%	(5,016)	(3,113)	(61.1%)
School District Admin. Support Services	6,035	4,756	26.9%	(271)	426	(163.6%)
Payments to Fiscal Agent/Member Dist. SSA	5,350	4,727	13.2%	35	20	75.0%

The net cost of Curriculum Development and Instructional Staff Development decreased as less training was provided under teacher certification, Special Education, general education and Migrant programs. In addition several programs were ending such as the Migrant Conference (a one-time activity in the prior year), apple certification, and content delivery. The increase in Data Processing Services was largely due to increased expenditures in the TCC/ESC Software Development project, which increased expenditures by approximately \$1.9 million over the previous year as that program continued to complete programming of the new software under development. The increase in School District Administrative Support Services was due new programs such as school support services, charter school technical assistance, Head Start – City of San Antonio, and general increases across numerous programs of the Center. Payments to Fiscal Agent Member Districts increased largely due to the beginning of operations for the regional day school for the deaf. Funds were collected from various sources and passed through to a school district that was providing these services to participating districts.

Business-type Activities

The Center provides Braille Services for clients throughout the United States and Canada. Services provided include certified Braille transcription and proofreading, Braille production, embossing and tactile graphics and maps. Revenues from this business-type activity decreased by 9.8 percent to \$713,633, and expenses decreased 6.1 percent to \$602,677. This decrease in revenue was due largely to decreased transcription and reproduction services for third party customers other than the Texas Education Agency (TEA). The decrease in expenses was due to decreased costs for contracted services as Braille Services controlled costs to offset the drop in revenue.

The Center also began operating a new enterprise fund, Collaborative Product Development. This program was established to develop and market resources and tools which will assist districts and campuses across the state in implementing state and federal mandates and acquiring new knowledge. In its first year of operation, this program earned \$250,127 compared to \$227,785 in expenses.

FINANCIAL ANALYSIS OF THE CENTER'S FUNDS

Revenues from governmental fund types totaled \$42,971,521, a decrease of 0.2 percent over the preceding year. An analysis of the changes in these revenues is as follows:

	2009	2008	Percent Change
Local Revenue	\$ 24,757,599	\$ 25,781,905	(4.0%)
State Revenue	5,626,262	4,440,874	26.7%
Federal Revenue	12,587,660	12,831,017	(1.9%)
Total	\$ 42,971,521	\$ 43,053,796	(0.2%)

The decrease in local revenues was largely due to the Center ending Novanet and the one time Migrant conference. In addition, a program that had been established as a local cooperative was changed to a federally funded shared services arrangement. Additionally, interest earnings decreased by approximately \$741,000 due to the precipitous drop in interest rates and the reduction in funds available for investment as funds in the TCC/ESC Software Development Program are depleted.

State program revenue increased due to various new programs such as the Regional Day School for the Deaf, Charter School Technical Assistance Network, English Language Arts and Reading/Spanish Language Arts Reading, and the Online Tutoring Project. Funding also increased for the School Based Tobacco Use Prevention Program as it began its first full year of operations and Teacher Retirement System (TRS) On Behalf payments.

Federal program revenues had an overall decrease. This was the result of several programs that ended during the year, offset to some degree, by new programs and increased funding in others. The Classroom Supply Teacher Reimbursement program ended in 2008 as well as the Gateways to the Past: An American History. This revenue decrease was offset by the movement of a locally funded cooperative to a federally fund shared services arrangement and the new City of San Antonio Head Start program that began in July 2009. Additionally, federal funds were also provided for the start up of the Regional Day School for the Deaf.

General Fund Budgetary Highlights

Over the course of the year, the Center revises its budget as required in order to meet program needs. Even with these adjustments, actual expenditures were \$1,300,517 below final budget amounts. This variance results from changes in staffing that occur during the year and the Center expending funds on a very conservative basis. The Center does make every attempt to shift available resources to other needed areas as they become available. Also, the Center continues to monitor all spending closely in order to minimize the impact of any other funding changes in federal and state funding that would directly or indirectly impact service centers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the Center had invested \$33,755,856 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$1,138,823 or 3.5 percent over last year.

Table A-4
Center's Capital Assets
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2009-2008
	2009	2008	2009	2008	2009	2008	
Land	1,891	1,891	-	-	1,891	1,891	0.0%
Buildings and Improvements	22,433	21,817	-	-	22,433	21,817	2.8%
Vehicles	191	197	-	-	191	197	(3.1%)
Furniture and Equipment	8,739	7,839	429	411	9,168	8,250	11.1%
Construction In Progress	73	462	-	-	73	462	(84.2%)
Totals at Historical Cost	33,327	32,206	429	411	33,756	32,617	3.5%
Total Accumulated Depreciation	17,700	15,880	400	379	18,100	16,259	11.3%
Net Capital Assets	15,627	16,326	29	32	15,656	16,358	(4.3%)

The Center's fiscal year 2009 capital projects budget is approximately \$2.1 million for the purchase of land for future parking needs, major repairs and remodeling to existing buildings and the scheduled purchase of new equipment. All such activity will be funded from the Center's fund balance or from currently budgeted revenues. Additionally, the Center has designated an additional \$1.3 million in fund balance for future parking lot construction.

Long Term Debt

At year-end the Center had no loans or capital leases outstanding as shown in Table A-5. More detailed information about the Center's debt is presented in the notes to the financial statements.

Table A-5
Center's Long Term Debt
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2009-2008
	2009	2008	2009	2008	2009	2008	
Loans Payable	-	-	-	-	-	-	0%
Capital Leases Payable	-	73	-	-	-	73	(100.0%)
Total Long Term Debt	-	73	-	-	-	73	(100.0%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Center develops its budget based upon various programs initiated by the state and upon the estimated level of services to be provided to clients on a fee for service basis. An analysis of these factors was taken into account when adopting the general fund budget for 2010. Revenues in the general fund budget are \$17,662,976, a decrease of 2.2 percent from the final 2008 budget of \$18,064,411.

The reduction in revenues is mainly due to the Center budgeting conservatively in order to ensure that expenditures will not exceed revenues for 2010. With the greater reliance on locally generated revenues due to reductions in legislative and agency funding, Center staff is being conservative in estimating local revenues that may be generated during the year.

Expenditures are budgeted to decrease nearly 6.5 percent to \$17,931,347. This decrease in expenditures is largely due to the fact that the ending budget for 2009 included approximately \$1.3 million budgeted for various projects from fund balance. The balance of the decrease comes from conservative budgeting in various programs to ensure expenditures do not exceed anticipated revenue for 2010. Due to the capital projects budgeted for 2010, the Center's budgetary general fund balance is expected to decrease slightly in 2010. Without capital outlays for land acquisition, the general fund balance would increase by \$134,038 from Center operations.

OTHER INFORMATION

The Center is ISO 9001: 2000 certified. This is an internationally recognized quality management system standard developed by the International Organization for Standardization (ISO). To become certified companies must implement a comprehensive quality management system. To receive certification external auditors conducted a comprehensive audit in August 2007. The auditors examined the Center's quality management system including processes, documentation and compliance. The Center successfully completed the audit to receive the certification. The ISO certification process is a continuous process where audits will continue to be performed annually through internal and external sources to ensure compliance with the ISO 9001: 2000 certification standards. Such reviews were performed during the year and the Center maintained certification.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our clients, business partners and governmental agencies 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 Division.

Basic Financial Statements

EDUCATION SERVICE CENTER REGION 20

STATEMENT OF NET ASSETS

AUGUST 31, 2009

Data Control Codes	1 Governmental Activities	2 Business-type Activities	3 Total	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 22,740,156	\$ 968,062	\$ 23,708,218
1240	Due from Other Governments	2,452,448	--	2,452,448
1250	Accrued Interest	53,764	--	53,764
1290	Other Receivables (Net)	855,024	164,041	1,019,065
1300	Inventories	110,193	19,440	129,633
1410	Deferred Expenses	189,022	--	189,022
Capital Assets:				
1510	Land	1,891,338	--	1,891,338
1520	Buildings and Improvements, Net	12,036,328	--	12,036,328
1530	Furniture and Equipment, Net	1,626,224	29,305	1,655,529
1580	Construction in Progress	72,723	--	72,723
1000	Total Assets	42,027,220	1,180,848	43,208,068
LIABILITIES:				
2110	Accounts Payable	267,465	--	267,465
2165	Accrued Liabilities	15,190	--	15,190
2180	Due to Other Governments	2,014	--	2,014
2300	Unearned Revenue	815,296	--	815,296
2000	Total Liabilities	1,099,965	--	1,099,965
NET ASSETS				
3200	Invested in Capital Assets	15,626,613	29,305	15,655,918
Restricted For:				
3820	State and Federal Programs	520,396	--	520,396
3890	Contractual Agreement	9,876,367	--	9,876,367
3900	Unrestricted	14,903,879	1,151,543	16,055,422
3000	Total Net Assets	\$ 40,927,255	\$ 1,180,848	\$ 42,108,103

The accompanying notes are an integral part of this statement.

EDUCATION SERVICE CENTER REGION 20

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2009

	1	3	4
Data Control Codes	Expenses	Program Revenues	
Functions/Programs		Charges for Services	Operating Grants and Contributions
<i>Governmental Activities:</i>			
11	\$ 2,338,892	\$ 300,233	\$ 1,959,135
12	1,373,237	1,000,407	234,477
13	9,295,560	2,660,091	6,128,573
21	2,259,502	435,780	1,666,161
35	65,607	--	63,156
41	2,405,396	2,094,988	401,161
51	1,379,247	1,214,992	536,186
53	15,758,650	10,457,862	284,710
61	804,224	59,030	715,916
62	6,034,997	3,211,890	2,552,087
72	405	72,293	--
93	5,350,487	2,690,397	2,694,851
TG	<u>47,066,204</u>	<u>24,197,963</u>	<u>17,236,413</u>
<i>Business-type Activities:</i>			
01	602,677	713,633	--
02	227,785	250,127	--
TB	<u>830,462</u>	<u>963,760</u>	<u>--</u>
TP	<u>\$ 47,896,666</u>	<u>\$ 25,161,723</u>	<u>\$ 17,236,413</u>
<i>General Revenues:</i>			
IE	<i>Investment Earnings</i>		
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>		
MI	<i>Miscellaneous</i>		
FR	<i>Transfers</i>		
TR	<i>Total General Revenues</i>		
CN	<i>Change in Net Assets</i>		
NB	<i>Net Assets - Beginning</i>		
NE	<i>Net Assets - Ending</i>		

The accompanying notes are an integral part of this statement.

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Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (79,524)		\$ (79,524)
(138,353)		(138,353)
(506,896)		(506,896)
(157,561)		(157,561)
(2,451)		(2,451)
90,753		90,753
371,931		371,931
(5,016,078)		(5,016,078)
(29,278)		(29,278)
(271,020)		(271,020)
71,888		71,888
34,761		34,761
<u>(5,631,828)</u>		<u>(5,631,828)</u>
--	\$ 110,956	110,956
--	22,342	22,342
--	133,298	133,298
<u>(5,631,828)</u>	<u>133,298</u>	<u>(5,498,530)</u>
440,575	--	440,575
983,988	--	983,988
112,581	--	112,581
(100,000)	100,000	--
<u>1,437,144</u>	<u>100,000</u>	<u>1,537,144</u>
<u>(4,194,684)</u>	<u>233,298</u>	<u>(3,961,386)</u>
45,121,939	947,550	46,069,489
<u>\$ 40,927,255</u>	<u>\$ 1,180,848</u>	<u>\$ 42,108,103</u>

EDUCATION SERVICE CENTER REGION 20

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2009

Data Control Codes	10 General Fund	IDEA-B Discretionary	Head Start City of San Antonio
ASSETS:			
1110 Cash and Cash Equivalents	\$ 5,882,258	\$ --	\$ --
1240 Due from Other Governments	--	483,951	331,717
1250 Accrued Interest	25,606	--	--
1260 Due from Other Funds	2,398,454	--	--
1290 Other Receivables	701,643	--	--
1300 Inventories	110,193	--	--
1410 Deferred Expenditures	161,883	3,117	--
1000 Total Assets	<u>\$ 9,280,037</u>	<u>\$ 487,068</u>	<u>\$ 331,717</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 122,932	\$ 20,621	\$ 3,774
2150 Payroll Deductions & Withholdings	12,103	--	--
2170 Due to Other Funds	--	466,431	327,842
2180 Due to Other Governments	--	--	--
2300 Unearned Revenue	752,665	16	101
2000 Total Liabilities	<u>887,700</u>	<u>487,068</u>	<u>331,717</u>
FUND BALANCES:			
Reserved Fund Balances:			
3410 Investments in Inventory	110,193	--	--
3440 Outstanding Encumbrances	334,848	--	--
Designated Fund Balance:			
3510 Construction	2,629,149	--	--
3530 Capital Expenditures for Equipment	925,000	--	--
3590 Other Designated Fund Balance	1,455,000	--	--
3600 Unreserved	2,938,147	--	--
Unreserved, Reported in Nonmajor:			
3610 Special Revenue Funds	--	--	--
3000 Total Fund Balances	<u>8,392,337</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 9,280,037</u>	<u>\$ 487,068</u>	<u>\$ 331,717</u>

The accompanying notes are an integral part of this statement.

ITCCS Operations	ESC/TCC Software Development	Other Governmental Funds	98 Total Governmental Funds
\$ 1,154,898	\$ 7,236,188	\$ 2,439,462	\$ 16,712,806
--	--	1,636,780	2,452,448
--	28,158	--	53,764
--	--	--	2,398,454
86,074	--	58,651	846,368
--	--	--	110,193
7,611	500	15,388	188,499
<u>\$ 1,248,583</u>	<u>\$ 7,264,846</u>	<u>\$ 4,150,281</u>	<u>\$ 22,762,532</u>
\$ 62,347	\$ --	\$ 45,027	\$ 254,701
--	--	--	12,103
--	--	1,604,181	2,398,454
--	--	2,014	2,014
--	--	61,890	814,672
<u>62,347</u>	<u>--</u>	<u>1,713,112</u>	<u>3,481,944</u>
--	--	--	110,193
97,911	480,000	11,488	924,247
--	--	--	2,629,149
--	--	--	925,000
90,000	--	672,000	2,217,000
998,325	6,784,846	--	10,721,318
--	--	1,753,681	1,753,681
<u>1,186,236</u>	<u>7,264,846</u>	<u>2,437,169</u>	<u>19,280,588</u>
<u>\$ 1,248,583</u>	<u>\$ 7,264,846</u>	<u>\$ 4,150,281</u>	<u>\$ 22,762,532</u>

EDUCATION SERVICE CENTER REGION 20
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2009*

Total fund balances - governmental funds balance sheet	\$ 19,280,588
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	15,328,753
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	<u>6,317,914</u>
Net assets of governmental activities - statement of net assets	<u>\$ 40,927,255</u>

The accompanying notes are an integral part of this statement.

EDUCATION SERVICE CENTER REGION 20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	10 General Fund	IDEA-B Discretionary	Head Start City of San Antonio
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 15,004,556	\$ --	\$ --
5800 <i>State Program Revenues</i>	2,334,256	--	--
5900 <i>Federal Program Revenues</i>	575,222	3,112,689	331,616
5020 Total Revenues	<u>17,914,034</u>	<u>3,112,689</u>	<u>331,616</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	281,795	69,141	160,217
0012 <i>Instructional Resources and Media Services</i>	1,136,669	--	--
0013 <i>Curriculum and Staff Development</i>	3,168,584	2,339,386	--
0021 <i>Instructional Leadership</i>	560,842	255,614	36,321
0035 <i>Food Service</i>	--	--	--
0041 <i>General Administration</i>	1,747,917	--	20,340
0051 <i>Plant Maintenance and Operations</i>	822,549	59,023	45,943
0053 <i>Data Processing Services</i>	2,985,560	--	--
0061 <i>Community Services</i>	66,060	--	49,679
0062 <i>School District Administrative Support Services</i>	3,901,547	65,610	19,116
0071 <i>Principal on Long-term Debt</i>	--	--	--
0072 <i>Interest on Long-term Debt</i>	--	--	--
0081 <i>Capital Outlay</i>	185,541	--	--
0093 <i>Payments to Shared Service Arrangements</i>	3,010,793	323,915	--
6030 Total Expenditures	<u>17,867,857</u>	<u>3,112,689</u>	<u>331,616</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>46,177</u>	--	--
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	425,000	--	--
8911 <i>Transfers Out</i>	(145,000)	--	--
7080 Total Other Financing Sources and (Uses)	<u>280,000</u>	--	--
1200 Net Change in Fund Balances	<u>326,177</u>	--	--
0100 Fund Balances - Beginning	<u>8,066,160</u>	--	--
3000 Fund Balances - Ending	<u>\$ 8,392,337</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

ITCCS Operations	ESC/TCC Software Development	Other Governmental Funds	98 Total Governmental Funds
\$ 6,587,119	\$ 197,604	\$ 2,968,320	\$ 24,757,599
--	--	3,292,006	5,626,262
--	--	8,568,133	12,587,660
<u>6,587,119</u>	<u>197,604</u>	<u>14,828,459</u>	<u>42,971,521</u>
--	--	1,740,376	2,251,529
--	--	202,414	1,339,083
--	--	3,447,362	8,955,332
--	--	1,322,323	2,175,100
--	--	63,156	63,156
401,472	252,823	360,962	2,783,514
335,606	52,258	510,034	1,825,413
5,908,852	4,765,465	2,333,124	15,993,001
--	--	658,444	774,183
--	--	2,043,786	6,030,059
73,473	--	--	73,473
405	--	--	405
--	--	--	185,541
--	--	2,015,779	5,350,487
<u>6,719,808</u>	<u>5,070,546</u>	<u>14,697,760</u>	<u>47,800,276</u>
<u>(132,689)</u>	<u>(4,872,942)</u>	130,699	<u>(4,828,755)</u>
--	--	--	425,000
<u>(55,000)</u>	--	<u>(126,200)</u>	<u>(326,200)</u>
<u>(55,000)</u>	--	<u>(126,200)</u>	98,800
<u>(187,689)</u>	<u>(4,872,942)</u>	4,499	<u>(4,729,955)</u>
1,373,925	12,137,788	2,432,670	24,010,543
<u>\$ 1,186,236</u>	<u>\$ 7,264,846</u>	<u>\$ 2,437,169</u>	<u>\$ 19,280,588</u>

EDUCATION SERVICE CENTER REGION 20

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009

Net change in fund balances - total governmental funds	\$ (4,729,955)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,067,505
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,601,350)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	73,473
The net revenue (expense) of internal service funds is reported with governmental activities.	995,643
Change in net assets of governmental activities - statement of activities	<u>\$ (4,194,684)</u>

The accompanying notes are an integral part of this statement.

EDUCATION SERVICE CENTER REGION 20

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

AUGUST 31, 2009

Data Control Codes	Nonmajor Enterprise Funds	Internal Service Funds
ASSETS:		
Current Assets:		
1110	\$ 968,062	\$ 6,027,350
Receivables:		
1290	164,041	8,656
1310	19,440	--
1410	--	523
	<u>1,151,543</u>	<u>6,036,529</u>
Total Current Assets		
Noncurrent Assets:		
Capital Assets:		
1520	--	752,444
1530	428,871	2,529,369
1570	(399,566)	(2,983,953)
	<u>29,305</u>	<u>297,860</u>
1000	\$ 1,180,848	\$ 6,334,389
Total Assets		
LIABILITIES:		
Current Liabilities:		
2110	\$ --	\$ 12,764
2160	--	3,087
2300	--	624
	<u>--</u>	<u>16,475</u>
2000	--	16,475
Total Liabilities		
NET ASSETS:		
3200	29,305	297,860
3900	1,151,543	6,020,054
3000	\$ <u>1,180,848</u>	\$ <u>6,317,914</u>
Total Net Assets		

The accompanying notes are an integral part of this statement.

EDUCATION SERVICE CENTER REGION 20
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes	Nonmajor Enterprise Funds	Internal Service Funds
OPERATING REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ 963,760	\$ 14,841,049
5020 <i>Total Revenues</i>	<u>963,760</u>	<u>14,841,049</u>
OPERATING EXPENSES:		
6100 <i>Payroll Costs</i>	359,498	9,547,736
6200 <i>Professional and Contracted Services</i>	348,141	3,570,220
6300 <i>Supplies and Materials</i>	98,107	167,584
6400 <i>Other Operating Costs</i>	24,716	361,066
6030 <i>Total Expenses</i>	<u>830,462</u>	<u>13,646,606</u>
Income (Loss) before Contributions and Transfers	133,298	1,194,443
7915 <i>Transfers In</i>	100,000	26,200
8911 <i>Transfers Out</i>	--	(225,000)
1300 <i>Change in Net Assets</i>	<u>233,298</u>	<u>995,643</u>
0100 <i>Total Net Assets - Beginning</i>	947,550	5,322,271
3300 <i>Total Net Assets - Ending</i>	<u>\$ 1,180,848</u>	<u>\$ 6,317,914</u>

The accompanying notes are an integral part of this statement.

EDUCATION SERVICE CENTER REGION 20

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2009

	Nonmajor Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 957,392	\$ --
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	14,838,627
Cash Payments to Employees for Services	(359,498)	(9,545,033)
Cash Payments to Other Suppliers for Goods and Services	(448,479)	(3,725,722)
Other Operating Cash Receipts (Payments)	(3,663)	(101,011)
Net Cash Provided (Used) by Operating Activities	<u>145,752</u>	<u>1,466,861</u>
Cash Flows from Non-capital Financing Activities:		
Transfers From (To) Other Funds	100,000	(198,800)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>100,000</u>	<u>(198,800)</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition or Construction of Capital Assets	(17,964)	(95,331)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(17,964)</u>	<u>(95,331)</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	227,788	1,172,730
Cash and Cash Equivalents at Beginning of Year	740,274	4,854,620
Cash and Cash Equivalents at End of Year	<u>\$ 968,062</u>	<u>\$ 6,027,350</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 133,298	\$ 1,194,443
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	21,053	260,055
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	(6,368)	(3,044)
Decrease (Increase) in Inventories	(2,231)	--
Decrease (Increase) in Prepaid Expenses	--	(122)
Increase (Decrease) in Accounts Payable	--	12,203
Increase (Decrease) in Accrued Wages Payable	--	2,702
Increase (Decrease) in Unearned Revenue	--	624
Total Adjustments	<u>12,454</u>	<u>272,418</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 145,752</u>	<u>\$ 1,466,861</u>

The accompanying notes are an integral part of this statement.

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

A. Reporting Entity

The Board of Directors, an eight member group, seven with voting privileges, has governance responsibilities over all activities related to educational services provided by Education Service Center, Region 20 (Center). Because members of the Board of Directors are elected by school district board members; have the authority to make decisions, appoint the executive director, and significantly influence operations; and have the primary accountability for fiscal matters, the Center is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board ("GASB"), Statement 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The Center receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. Summary of Significant Accounting Policies

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Center. Governmental activities generally are financed through fees charged to external parties, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Center and for each function of the Center's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Center does not allocate indirect expenses in the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Center's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

The Center reports the following major governmental funds:

General Fund. This is the Center's primary operating fund. It accounts for all financial resources of the Center except those required to be accounted for in another fund.

IDEA-B Discretionary Fund. This fund accounts for funds received under the Individual with Disabilities Education Act – Part B (IDEA-B).

Head Start – City of San Antonio. This fund accounts for funds received under the Head Start Program which the Center receives as a subgrantee of the City of San Antonio. The Center receives both educational and training funds. The agreement with the City of San Antonio requires that these funds be reported separately in the financial statements of the Center. Thus, this fund was designated as a major governmental fund by the Center.

iTCCS Operations. This fund accounts for the Center's activities as the fiscal agent for the Texas Computer Cooperative's activities involving the Internet-based Texas Computer Cooperative Software (iTCCS). iTCCS_ provides mainframe computer services to various school districts for financial and student accounting. All services are provided by the fiscal agent.

ESC/TCC Software Development. This fund accounts for the Center's activities relating to the development, enhancement, marketing and distribution of business, student and Public Education Information Management System (PEIMS) accounting software under the auspices of The Texas Computer Cooperative.

In addition, the Center reports the following fund types:

Enterprise Fund. This fund is used to account for the revenues and expenses related to services provided to outside parties. The Center has two enterprise funds, Braille Production and Collaborative Product Development.

Internal Service Funds. These funds are used to account for revenues and expenses related to services provided to parties inside the Center. The funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the Center's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Center gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Center considers all revenues reported in the governmental funds to be available if the revenues are collectible within sixty days after year-end. Revenues from local sources consist primarily of user fees. Revenues from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

When the Center incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Center's practice to use restricted resources first, then unrestricted resources.

Under GASB statement No. 20, "Accounting and financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either choosing not to apply future FASB standards (including amendments of earlier pronouncements), or continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Center has chosen not to apply future FASB standards.

2. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, highly liquid investments are considered to be cash equivalents if they have a maturity of four months or less when purchased.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at cost on the first-in, first-out method. Inventory items for general supplies and postage are recorded as expenditures when they are consumed. Inventory items for copy paper, Braille supplies and information systems are recorded on the purchase method. A reserve in an amount equal to these inventory amounts is recorded in the financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used for Governmental Funds and \$500 for Proprietary and Internal Service Funds.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30
Building Improvements	7-15
Parking Lots	20
Vehicles	3-5
Office Equipment	7-10
Computer Equipment	3-7

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

d. Receivables and Payable Balances

The Center believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Assets.

f. Budget

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements.

- i. Prior to August 20 of the preceding fiscal year, the Center prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- ii. A meeting of the Board is then called for the purpose of adopting the proposed budget after public notice of the meeting has been given.
- iii. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board in accordance with state law prior to the expenditure of funds.

Once a budget is approved, it can be amended at the function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after the fiscal year end as required by law. During the year several amendments were necessary. All budget appropriations lapse at year end.

g. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders. 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. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$ 334,848
Special Revenue Fund	589,399
Total	<u>\$ 924,247</u>

A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2009.

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

C. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

D. Deposits and Investments

The Center's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Center's agent bank, approved pledged securities in an amount sufficient to protect Center funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

Cash Deposits

At August 31, 2009, the carrying amount of the Center's deposits (cash and certificates of deposits) was \$13,908,812 and the bank balance was \$16,007,325. The Center's cash deposits were fully collateralized during the year. The Center's cash deposits at August 31, 2009 were entirely covered by FDIC insurance or by pledged collateral held by the Center's agent bank in the Center's name.

Investments:

The Center is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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The Act requires an annual audit of investment practices. Audit procedures in this are conducted as part of the audit of the basic 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 Act determines the types of investments which are allowable for the Center. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. Agencies and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The Center's investments at August 31, 2009 are shown below.

Investment	Maturity	Ratings	Fair Value	Percentage
TexPool Investment Pool	44 Day Average	AAAmm	\$ 9,799,406.	43%
Certificates of Deposit	180 Days - 284 Days	N/A	13,000,000.	57%
Total Investments			<u>\$22,799,406.</u>	<u>100%</u>

Due to the short term nature of these investments all were included with Cash and Cash Equivalents as shown on Exhibit A-1, Statement of Net Assets. Thus, the total Cash and Cash Equivalents is equal to cash, certificates of deposit, overnight money market investments and Texpool for a total of \$23,708,218.

Analysis of Specific Deposit and Investment Risks

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

- a. Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the Center's investments were rated as noted above, with all certificates of deposit fully collateralized by issuing depository bank.

At August 31, 2009, the Center's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows.

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Center's name.

At year end the Center was not exposed to custodial credit risk.

- c. Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the Center investments representing more than 5% of total investments are disclosed above.

- d. Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the Center's investment policy limits investment maturities to no more than 365 days as a means of managing its exposure to fair value losses arising from increasing interest rates.

EDUCATION SERVICE CENTER, REGION 20
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- e. **Foreign Currency Risk** – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the Center was not exposed to foreign currency risk.

Investment Accounting Policy

The Center's general practice 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.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The Center's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. **Capital Assets**

Capital asset activity for the year ended August 31, 2009, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental Activities:</u>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 1,891,338	\$ -	\$ -	\$ 1,891,338
Construction in Progress	<u>462,322</u>	<u>72,723</u>	<u>462,322</u>	<u>72,723</u>
	<u>2,353,660</u>	<u>72,723</u>	<u>462,322</u>	<u>1,964,061</u>
<i>Capital Assets being Depreciated:</i>				
<i>Governmental Capital Assets:</i>				
Buildings and Improvements	21,065,019	615,829	-	21,680,848
Equipment	5,398,920	806,831	-	6,205,751
Vehicles	<u>188,126</u>	<u>34,446</u>	<u>31,286</u>	<u>191,286</u>
Total Capital Assets being Depreciated	<u>26,652,065</u>	<u>1,457,106</u>	<u>31,286</u>	<u>28,077,885</u>
<i>Less Accumulated Depreciation for:</i>				
Buildings and Improvements	8,975,774	756,509	-	9,732,283
Equipment	4,017,448	820,192	-	4,837,640
Vehicles	<u>149,905</u>	<u>24,649</u>	<u>31,286</u>	<u>143,268</u>
Total Accumulated Depreciation	<u>13,143,127</u>	<u>1,601,350</u>	<u>31,286</u>	<u>14,713,191</u>
Total Governmental Capital Assets being Depreciated, Net	<u>13,508,938</u>	<u>(144,244)</u>	<u>-</u>	<u>13,364,694</u>
Governmental Capital Assets, Net	<u>\$15,862,598</u>	<u>\$ (71,521)</u>	<u>\$ 462,322</u>	<u>\$15,328,755</u>

EDUCATION SERVICE CENTER, REGION 20

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2009

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Internal Service Fund Assets:</i>				
Buildings and Improvements	\$ 752,444	\$ -	\$ -	\$ 752,444
Equipment	2,439,020	95,331	1,754	2,532,597
Vehicles	<u>8,906</u>	<u>-</u>	<u>8,906</u>	<u>-</u>
Total Capital Assets being Depreciated	<u>3,200,370</u>	<u>95,331</u>	<u>10,660</u>	<u>3,285,041</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	641,338	23,343	-	664,681
Equipment	2,087,544	236,712	1,754	2,322,502
Vehicles	<u>8,906</u>	<u>-</u>	<u>8,906</u>	<u>-</u>
Total Accumulated Depreciation	<u>2,737,788</u>	<u>260,055</u>	<u>10,660</u>	<u>2,987,183</u>
Total Internal Service Fund Assets being Depreciated, Net	<u>462,582</u>	<u>(164,724)</u>	<u>-</u>	<u>297,858</u>
Governmental Activities Capital Assets, Net (Total of Governmental Capital Assets and Internal Service Fund Assets)	<u>\$16,325,180</u>	<u>\$ (236,245)</u>	<u>\$ 462,322</u>	<u>\$15,626,613</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Business-Type Activities:</u>				
<i>Capital Assets Being Depreciated:</i>				
Equipment	\$ 410,907	\$ 17,964	\$ -	\$ 428,871
Total Capital Assets being Depreciated	<u>410,907</u>	<u>17,964</u>	<u>-</u>	<u>428,871</u>
Less Accumulated Depreciation for:				
Equipment	<u>378,513</u>	<u>21,053</u>	<u>-</u>	<u>399,566</u>
Total Accumulated Depreciation	<u>378,513</u>	<u>21,053</u>	<u>-</u>	<u>399,566</u>
Total Capital Assets being Depreciated, Net	<u>32,394</u>	<u>(3,089)</u>	<u>-</u>	<u>29,305</u>
Business-Type Activities Capital Assets, Net	<u>\$ 32,394</u>	<u>\$ (3,089)</u>	<u>\$ -</u>	<u>\$ 29,305</u>

Depreciation was charged to functions within governmental activities as follows:

Function	Government Funds	Internal Service Funds	Total
Instruction	\$ 87,363	\$ -	\$ 87,363
Instructional Resources and Media Services	51,279	-	51,279
Curriculum and Staff Development	347,127	-	347,127
Instructional Leadership	84,402	-	84,402
Food Service	2,451	-	2,451
General Administration	107,814	59,092	166,906
Plant Maintenance and Operations	70,418	198,657	269,075
Data Processing Services	588,082	-	588,082
Community Services	30,041	-	30,041
School District Administrative Support Services	232,373	2,306	234,679
Total Depreciation	<u>\$ 1,601,350</u>	<u>\$ 260,055</u>	<u>\$1,861,405</u>

The above detail of depreciation expense does not include \$21,053 in depreciation expense charged to the Enterprise Fund.

EDUCATION SERVICE CENTER, REGION 20
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F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2009, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	IDEA-B Discretionary	\$ 466,431	Short-term advance
General Fund	Head Start - City of San Antonio	327,842	Short-term advance
General Fund	Other Governmental Funds	<u>1,604,181</u>	Short-term advance
	Total	<u>2,398,454</u>	

All amounts are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2009, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund	45,000	Supplement other fund sources
Shared Services			
iTCCS Operations	General Fund	55,000	Supplement other fund sources
General Fund	Enterprise Fund	100,000	Capital contribution
Internal Service Fund	General Fund	225,000	Supplement other fund sources
Other Governmental Funds			
Internal Service Fund	Internal Service Fund	26,200	Supplement other fund sources
Other Governmental Funds	General Fund	<u>100,000</u>	Supplement other fund sources
	Total	<u>\$ 551,200</u>	

G. Long Term Obligations - Capital Lease

There were no commitments under a capitalized lease agreements as of August 31, 2009.

Changes in the long term obligations for the year ended August 31, 2009, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Capital Lease Payable	\$ 73,473	\$ -	\$ 73,473	\$ -	\$ -
Total Governmental Activities	\$ 73,473	\$ -	\$ 73,473	\$ -	\$ -

H. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2009, as follows:

<u>Year Ending August 31</u>	
2010	\$ 336,660
2011	333,228
2012	333,228
2013	248,100
2014	-
Total Minimum Rentals	<u>\$ 1,251,216</u>

Rental Expenditures in 2009 were \$ 445,575.

EDUCATION SERVICE CENTER, REGION 20
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YEAR ENDED AUGUST 31, 2009

I. Risk Management

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 fiscal year 2009, 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.

J. Defined Benefit Pension Plan

1. Plan Description

The Center contributes to the Teacher Retirement System of Texas (TRS), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the Center, but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67 and Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplemental information for the defined benefit pension plan. That report may be obtained by writing to the Teacher Retirement System of Texas, 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.

All service center employees, except those employed for less than one-half the standard workload and those exempted by law, are required to participate in the System as a condition of employment. Employees who retire on or after age 50 with 30 years of credited service; or at or after 60 with 20 years of credited service, or at or after age 65 with 5 years of credited service, are entitled to a retirement benefit payable monthly for life, equal to 2.3 percent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the 5 years of credited service with the greatest salary. (Certain employees may be grandfathered under the law so that retirement benefits are based on average salary over 3 years instead of 5.) Benefits fully vest on reaching 5 years of credited service. (Vested employees may retire at or after age 55, or at any age below 50 with 30 years of credited service, and receive reduced benefits.) The System also provides death and disability benefits. Benefits are established by state statute.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2009, 2008 and 2007, and a state contribution rate of 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. Under provisions in state law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the Center's covered payroll. In certain instances the Center is required to make all or a portion of the state's 6.58% contribution for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007.

State contributions to TRS made on behalf of the Center employees for the years ended August 31, 2009, 2008, and 2007 were \$982,563, \$963,659 and \$907,152, respectively. The Center paid additional

EDUCATION SERVICE CENTER, REGION 20
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contributions for the years ended August 31, 2009, 2008 and 2007 in the amount of \$124,736, \$100,067 and \$87,792 for that portion of the employees' salaries paid from federal and private grants, salaries that exceeded the statutory minimum and for new hires. The Center has no other liability under the plan as of August 31, 2009.

In accordance with the provisions of GASB Statement No. 27, the three-year trend information follows:

<u>Fiscal Year</u>	<u>Center Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Contributions By Employees</u>
2007	87,792	100 %	1,093,479
2008	100,067	100 %	1,167,076
2009	124,736	100 %	1,217,593

K. Health Care Coverage

During the year ended August 31, 2009, employees of the Center were covered by TRS ActiveCare. The Center contributed premiums of \$266.00 (TRS ActiveCare I), \$310.00 (TRS ActiveCare II and TRS ActiveCare III). Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the Teacher Retirement System of Texas as required by state law. Participation in the plan by the Center is required by state law.

L. Commitments and Contingencies

1. Contingencies

The Center participates in numerous 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 collectibility 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 basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the Center at August 31, 2009.

M. Service Center Retiree Health Plan

1. Plan Description

The Center contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
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2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school/service center contributions, respectively. The State of Texas and active public school/service center employee contribution rates were 1.0% and 0.65% of payroll, respectively, with school districts/service centers contributing a percentage of payroll set at 0.55% for fiscal years 2009, 2008 and 2007. Per Texas Insurance Code, Chapter 1575, the public school/service center contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school/service center. For the years ended August 31, 2009, 2008, and 2007, the State's contributions to TRS-Care were \$172,708, 165,543, and \$155,103, respectively, the active member contributions were \$112,261, \$107,602, and \$100,817, respectively, and the Center's contributions were \$94,992, \$91,050, and \$85,306, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D 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 certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2009, 2008, and 2007, the subsidy payments received by TRS-Care on behalf of the Center were \$39,205, \$38,470, and 33,302, respectively.

N Fund Balance Reserves and Designations

- | | | |
|----|---|-------------|
| a. | Reserve for Investments in Inventories. This reserve represents the Investment in Inventory included in the Special Revenue and General Funds. | \$ 110,193 |
| b. | Reserve for Outstanding Encumbrances. This reserve is for encumbrances representing commitments related to unperformed contracts for goods and services. | \$ 924,247 |
| c. | Designated for Equipment. The Service Center established \$750,000 for network technology equipment replacement, \$60,000 for consulting services technology equipment, \$85,000 for new presentation stations for meeting rooms, and \$30,000 for furniture and kiosks. | \$ 925,000 |
| d. | Designated for Construction. The Board of Directors has designated \$464,149 for land acquisition, \$1,350,000 for new parking lot construction, \$250,000 for replacement of air conditioning units in the Media building, \$315,000 for computer room EdPAC cooling unit replacements, and \$250,000 for the replacement of the small chiller. | \$2,629,149 |
| e. | Other Designated Fund Balances. The Service Center has established a \$90,000 designation for disaster recovery in the Shared Services iTCCS Operations and \$672,000 for software development in RSCCC Operations. In addition the Center has established \$335,000 for software implementation, \$65,000 for ISO administration, \$225,000 for the development of on line learning development evaluation, online content delivery and data reporting tools, \$100,000 for development and implementation of a marketing plan, \$75,000 to establish the Center as a Cisco Network Academy, \$315,000 to support Center services, \$260,000 for a grant writing position, \$30,000 for one time salary supplements, and \$50,000 for other staff support. | \$2,217,000 |

These reserves/designations are reflected in the Fund Equity section of Exhibit C-1.

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YEAR ENDED AUGUST 31, 2009

O. Deferred Revenue

The Center reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Center has a legal claim to the resources, the deferred revenue is removed from the combined balance sheet and revenue is recognized.

Deferred revenue in the Governmental Activities of \$814,672 represents grant refunds from subrecipients received in the current year, payments from customers received in advance of services being provided and funds received prior to the qualified expenditures being incurred. Refunds received from subrecipients were recognized as revenue and related expenditure in the prior year. These amounts will be reprogrammed, reallocated and distributed in the subsequent year.

P. Shared Service Arrangements

- a. Model 2 - The Center is fiscal agent for an Even Start Family Literacy (Fund 302) Shared Services Arrangement, a Safe and Drug Free Schools (Fund 293) Shared Services Arrangement, a Carl D. Perkins (Fund 331) Shared Services Arrangement, a Title III English Language Acquisition (Fund 263) Shared Services Arrangement, a Title I NonPublic (Fund 300) Shared Services Arrangement, a Title II Part D Technology (Fund 349) Shared Services Arrangement, a ESEA Title II Teacher and Principal Training and Recruiting (Fund 342) Shared Services Arrangement, a Title I NonPublic ARRA (Fund 359) Shared Services Arrangement, a Title I Part C Migrant (Fund 301) Shared Services Arrangement, a Title I Part A, ARRA (Fund 359) Shared Service Arrangement, a Regional Day School For The Deaf (Fund 435) Shared Services Arrangement, a Discretionary Deaf (Fund 315) Shared Services Arrangement, a Formula Deaf (Fund 316) Shared Services Arrangement and a Preschool Deaf (Fund 317) Shared Services Arrangement. All services are provided by the fiscal agent and each member district authorized TEA to send its funds to the Center.

There are only two participants in the Even Start Family Literacy Shared Services Arrangement. Expenses of \$161,000 are allocated as follows:

<u>Member</u>	<u>Amount</u>
ESC – 20	\$129,605
Natalia ISD	<u>31,395</u>
Total	<u>\$161,000</u>

Expenditures for each member district for all other shared services arrangements are summarized below and were prorated based on the allocation of funds:

<u>Member District</u>	<u>Carl D. Perkins</u>	<u>Safe and Drug Free Schools</u>	<u>Title III English Language Acquisition</u>
Academy of Careers & Technologies	\$ 180	\$ -	\$ 376
Bexar County Academy	-	-	3,054
Brackett ISD	979	2,840	4,929
Big Springs Charter School	2,239	-	346
Carrizo Springs ISD	-	1,111	-
Center Point ISD	8,484	-	7,613
Charlotte ISD	7,985	-	2,343
Cosmos Foundation	-	-	912
Crystal City ISD	-	13,868	-
Devine ISD	-	6,897	-

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

Member District	Carl D. Perkins	Safe and Drug Free Schools	Title III English Language Acquisition
D'Hanis ISD	4,051	1,179	422
Dilley ISD	-	6,628	3,203
Ft. Sam Houston ISD	8,521	3,096	4,354
Gabriel Tafolla Charter	271	857	376
George Gervin Academy	-	-	1,471
George Sanchez Charter	-	471	-
Guardian Angel Performance Academy	-	12	-
Higgs, Carter, King, G&T Charter Academy	-	-	4,018
Hondo ISD	-	9,835	5,597
Hunt ISD	-	-	2,297
Ingram ISD	15,873	4,566	-
John H. Wood Charter	-	1,771	1,370
Jourdanton ISD	16,106	-	2,892
Jubilee Academic Center	-	2,512	4,218
KIPP Foundation Inc.	-	134	1,219
Knippa ISD	359	831	769
Lackland ISD	2,469	1,717	1,970
La Escuela De Las Americas	-	53	5,635
La Vernia ISD	-	5,170	8,122
La Pryor ISD	1,160	-	-
Leakey ISD	278	789	718
Lighthouse Charter School	-	-	381
Lytle ISD	-	5,692	-
Medina Valley ISD	-	-	17,392
Natalia ISD	1,638	4,985	-
New Frontiers Charter	-	-	6,039
Pleasanton ISD	-	13,852	9,024
Positive Solutions Charter	-	716	-
Por Vida Academy Charter	-	2,016	46
Poteet ISD	-	531	8,148
Poth ISD	-	2,290	2,256
Radiance Academy of Learning	1,081	-	2,946
Randolph ISD	-	2,081	611
Sabinal ISD	794	149	3,855
San Antonio Can High School	-	-	1,557
School of Excellence in Education	-	13,004	11,768
School of Science and Technology	-	-	101
School of Science and Tech Discovery	-	-	259
Sendero Preparatory	-	-	1,389
Shekinah "Radiance" Academy	1,063	-	3,715
Southside ISD	-	24,205	-
Southwest Preparatory School	-	2,592	564
Southwest Winners Foundation, Inc	740	-	-
Stockdale ISD	-	3,010	1,411
Utopia ISD	1,919	-	350
	<u>\$ 76,190</u>	<u>\$ 139,460</u>	<u>\$ 140,036</u>

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

Member District	Title I NonPublic	Title II Part D Technology	Title II Part A TPTR
Center Point ISD	\$ -	\$ -	\$ 21,894
D'Hanis ISD	-	711	-
Dilley ISD	-	5,279	42,886
East Central ISD	15,921	-	-
Edgewood ISD	81,437	-	-
Ft. Sam Houston ISD	-	795	13,417
Guardian Angel Performance Academy	-	1	150
Harlandale ISD	53,813	-	-
Hondo ISD	-	-	68,487
John H. Wood Charter	-	3,465	-
Jubilee Academic Center	-	1,610	-
Judson ISD	9,776	-	-
KIPP Foundation, Inc	-	82	-
Knippa ISD	-	531	-
La Escuela De Las Americas	-	557	5,047
Lackland ISD	-	342	7,306
Leakey ISD	-	632	-
Lighthouse Charter School	-	324	-
Natalia ISD	-	-	28,708
North East ISD	50,406	-	-
Northside ISD	80,613	-	-
Por Vida Academy Charter School	-	1,412	-
Positive Solutions Charter	-	939	-
Radiance Academy of Learning	-	1,565	-
Randolph ISD	-	38	13,421
Sabinal ISD	-	104	-
San Antonio ISD	205,942	-	-
School of Excellence in Education	-	8,152	-
Shekinah "Radiance" Academy	-	1,813	-
Somerset ISD	5,959	-	-
Southwest ISD	15,385	-	-
Southwest Preparatory School	-	2,491	-
South San Antonio ISD	20,481	-	-
Southside ISD	11,392	-	-
Stockdale ISD	-	1,643	-
	<u>\$ 551,125</u>	<u>\$ 32,486</u>	<u>\$201,316</u>

Member District	Title I NonPublic ARRA	Title I Part C Migrant	Title I Part A ARRA
Alamo Heights ISD	\$ -	\$ 3,698	\$ -
Bexar County Academy	-	1,343	-
Center Point ISD	-	3,914	-
Charlotte ISD	-	1,417	-
Cotulla ISD	-	1,815	-
Devine ISD	-	3,724	93
D'Hanis ISD	-	2,389	-
East Central ISD	295	11,028	-
Edgewood ISD	2,349	-	-

EDUCATION SERVICE CENTER, REGION 20
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2009

Member District	Title I NonPublic ARRA	Title I Part C Migrant	Title I Part A ARRA
Floresville ISD	-	15,182	-
Gabriel Tafolla Charter	-	21,021	-
George Sanchez Charter	-	297	-
Harlandale ISD	2,067	-	-
Higgs, Carter, King Charter	-	2,470	-
Hondo ISD	-	14,497	176
Jourdanton ISD	-	6,547	-
Jubilee Academic Center	-	545	-
Judson ISD	182	18,740	-
Kerrville ISD	-	2,876	-
KIPP Foundation, Inc	-	675	-
Knippa ISD	-	7,571	-
Lighthouse Charter School	-	173	-
Medina Valley ISD	-	17,425	-
Natalia ISD	-	9,775	-
New Frontiers Charter	-	892	-
North East ISD	758	24,425	-
Northside ISD	3,584	51,300	-
Pleasanton ISD	-	12,618	-
Poteet ISD	-	21,033	-
Positive Solutions Charter	-	-	24
Sabinal ISD	-	2,923	-
San Antonio ISD	7,556	-	-
San Antonio Can High School	-	1,463	-
School of Excellence in Education	-	4,713	-
Somerset ISD	107	-	-
South San Antonio ISD	571	-	-
Southside ISD	271	34,077	-
Southwest ISD	662	80,009	-
Southwest Preparatory School	-	386	-
	<u>\$ 18,402</u>	<u>\$ 380,961</u>	<u>\$ 293</u>

Member District	Regional Day School For Deaf	Discretionary Deaf	Formula Deaf
Alamo Heights ISD	\$ 90,831	\$ 1,733	\$ 1,546
East Central ISD	165,016	3,149	2,809
Floresville ISD	64,288	1,227	1,095
Ft. Sam Houston ISD	21,288	406	362
La Vernia ISD	35,330	674	601
Poth ISD	17,320	330	295
Randolph ISD	1,984	38	34
	<u>\$ 396,057</u>	<u>\$ 7,557</u>	<u>\$ 6,742</u>

EDUCATION SERVICE CENTER, REGION 20
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2009

Member District	Preschool Deaf
Alamo Heights ISD	\$ 335
East Central ISD	609
Floresville ISD	237
Ft. Sam Houston ISD	79
La Vernia ISD	130
Poth ISD	64
Randolph ISD	7
	<u>\$ 1,461</u>

- b. Model 3 - The Center is fiscal agent for the Texas Computer Cooperative. This shared service arrangement includes activities associated with the Internet-based Texas Computer Cooperative Software (iTCCS) which provides mainframe computer services and the Regional Service Center Computer Cooperative (RSCCC) which develops and maintains computer software that runs on micro computers. The Center accounts for all activities relating to iTCCS in Fund 446 and RSCCC in Fund 447. All services are provided by the fiscal agent. Expenditures for each member are summarized below and were prorated based on the revenue they contributed:

Member Name	iTCCS	RSCCC
ESC - 1	\$ 970,916	\$ 79,349
ESC - 2	287,514	87,556
ESC - 3	-	151,906
ESC - 4	-	102,338
ESC - 5	3,899	99,441
ESC - 6	-	136,244
ESC - 7	-	160,400
ESC - 8	-	140,006
ESC - 9	-	102,581
ESC - 10	-	107,861
ESC - 11	37,386	210,671
ESC - 12	-	216,388
ESC - 13	1,465,181	127,089
ESC - 14	-	124,010
ESC - 15	129,782	131,110
ESC - 16	-	156,169
ESC - 17	-	145,386
ESC - 18	885,271	130,121
ESC - 19	-	-
ESC - 20	2,939,859	222,605
	<u>\$ 6,719,808</u>	<u>\$ 2,631,231</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

EDUCATION SERVICE CENTER REGION 20

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT G-1

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	<i>Local and Intermediate Sources</i>		\$ 14,391,040	\$ 15,169,423	\$ 15,004,556	\$	(164,867)
5800	<i>State Program Revenues</i>		2,439,469	2,457,988	2,334,256		(123,732)
5900	<i>Federal Program Revenues</i>		437,000	437,000	575,222		138,222
5020	Total Revenues		<u>17,267,509</u>	<u>18,064,411</u>	<u>17,914,034</u>		<u>(150,377)</u>
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	<i>Instruction</i>		238,286	287,745	281,795		5,950
0012	<i>Instructional Resources and Media Services</i>		1,208,213	1,140,120	1,136,669		3,451
0013	<i>Curriculum and Staff Development</i>		3,149,943	3,301,477	3,168,584		132,893
	Total Instruction & Instr. Related Services		<u>4,596,442</u>	<u>4,729,342</u>	<u>4,587,048</u>		<u>142,294</u>
Instructional and School Leadership:							
0021	<i>Instructional Leadership</i>		669,273	562,359	560,842		1,517
	Total Instructional & School Leadership		<u>669,273</u>	<u>562,359</u>	<u>560,842</u>		<u>1,517</u>
Administrative Support Services:							
0041	<i>General Administration</i>		1,798,235	2,049,032	1,747,917		301,115
	Total Administrative Support Services		<u>1,798,235</u>	<u>2,049,032</u>	<u>1,747,917</u>		<u>301,115</u>
Support Services - Nonstudent Based:							
0051	<i>Plant Maintenance and Operations</i>		835,326	868,505	822,549		45,956
0053	<i>Data Processing Services</i>		2,830,599	3,272,967	2,985,560		287,407
	Total Support Services - Nonstudent Based		<u>3,665,925</u>	<u>4,141,472</u>	<u>3,808,109</u>		<u>333,363</u>
Ancillary Services:							
0061	<i>Community Services</i>		23,000	80,550	66,060		14,490
0062	<i>School District Administrative Support Services</i>		3,503,198	4,188,456	3,901,547		286,909
	Total Ancillary Services		<u>3,526,198</u>	<u>4,269,006</u>	<u>3,967,607</u>		<u>301,399</u>
Capital Outlay:							
0081	<i>Capital Outlay</i>		450,009	269,818	185,541		84,277
	Total Capital Outlay		<u>450,009</u>	<u>269,818</u>	<u>185,541</u>		<u>84,277</u>
Intergovernmental Charges:							
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>		2,727,345	3,147,345	3,010,793		136,552
	Total Intergovernmental Charges		<u>2,727,345</u>	<u>3,147,345</u>	<u>3,010,793</u>		<u>136,552</u>
6030	Total Expenditures		<u>17,433,427</u>	<u>19,168,374</u>	<u>17,867,857</u>		<u>1,300,517</u>
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures		(165,918)	(1,103,963)	46,177		1,150,140
Other Financing Sources (Uses):							
7912	<i>Sale of Real or Personal Property</i>		1,000	1,000	--		(1,000)
7915	<i>Transfers In</i>		200,000	425,000	425,000		--
8911	<i>Transfers Out</i>		(45,000)	(145,000)	(145,000)		--
7080	Total Other Financing Sources and (Uses)		<u>156,000</u>	<u>281,000</u>	<u>280,000</u>		<u>(1,000)</u>
1200	Net Change in Fund Balance		<u>(9,918)</u>	<u>(822,963)</u>	<u>326,177</u>		<u>1,149,140</u>
0100	Fund Balance - Beginning		6,868,987	8,066,160	8,066,160		--
3000	Fund Balance - Ending		<u>\$ 6,859,069</u>	<u>\$ 7,243,197</u>	<u>\$ 8,392,337</u>	<u>\$</u>	<u>1,149,140</u>

EDUCATION SERVICE CENTER REGION 20

EXHIBIT G-2

IDEA-B DISCRETIONARY
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		1		2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Final	Actual	
		Original				
REVENUES:						
5900	Federal Program Revenues	\$ 3,132,570	\$ 3,825,496	\$ 3,112,689	\$ (712,807)	
5020	Total Revenues	3,132,570	3,825,496	3,112,689	(712,807)	
EXPENDITURES:						
Current:						
Instruction & Instructional Related Services:						
0011	Instruction	60,903	79,428	69,141	10,287	
0013	Curriculum and Staff Development	2,471,145	3,066,938	2,339,386	727,552	
	Total Instruction & Instr. Related Services	2,532,048	3,146,366	2,408,527	737,839	
Instructional and School Leadership:						
0021	Instructional Leadership	235,153	179,750	255,614	(75,864)	
	Total Instructional & School Leadership	235,153	179,750	255,614	(75,864)	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	43,400	73,325	59,023	14,302	
	Total Support Services - Nonstudent Based	43,400	73,325	59,023	14,302	
Ancillary Services:						
0062	School District Administrative Support Services	68,094	65,035	65,610	(575)	
	Total Ancillary Services	68,094	65,035	65,610	(575)	
Intergovernmental Charges:						
0093	Payments to Fiscal Agent/Member Dist.-SSA	253,875	361,021	323,915	37,106	
	Total Intergovernmental Charges	253,875	361,021	323,915	37,106	
6030	Total Expenditures	3,132,570	3,825,496	3,112,689	712,807	
1100	Excess (Deficiency) of Revenues Over (Under)					
1100	Expenditures	--	--	--	--	
0100	Fund Balance - Beginning	--	--	--	--	
3000	Fund Balance - Ending	\$ --	\$ --	\$ --	\$ --	

EDUCATION SERVICE CENTER REGION 20

HEAD START - CITY OF SAN ANTONIO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT G-3

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5900	Federal Program Revenues		\$ 2,058,233	\$ 2,058,233	\$ 331,616		\$ (1,726,617)
5020	Total Revenues		2,058,233	2,058,233	331,616		(1,726,617)
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction		651,632	651,632	160,217		491,415
	Total Instruction & Instr. Related Services		651,632	651,632	160,217		491,415
Instructional and School Leadership:							
0021	Instructional Leadership		115,576	115,576	36,321		79,255
	Total Instructional & School Leadership		115,576	115,576	36,321		79,255
Administrative Support Services:							
0041	General Administration		72,708	72,708	20,340		52,368
	Total Administrative Support Services		72,708	72,708	20,340		52,368
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations		49,118	49,118	45,943		3,175
	Total Support Services - Nonstudent Based		49,118	49,118	45,943		3,175
Ancillary Services:							
0061	Community Services		251,754	251,754	49,679		202,075
0062	School District Administrative Support Services		50,334	50,334	19,116		31,218
	Total Ancillary Services		302,088	302,088	68,795		233,293
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA		867,111	867,111	--		867,111
	Total Intergovernmental Charges		867,111	867,111	--		867,111
6030	Total Expenditures		2,058,233	2,058,233	331,616		1,726,617
1100	Excess (Deficiency) of Revenues Over (Under)		--	--	--		--
1100	Expenditures		--	--	--		--
0100	Fund Balance - Beginning		--	--	--		--
3000	Fund Balance - Ending		\$ --	\$ --	\$ --		\$ --

EDUCATION SERVICE CENTER REGION 20

EXHIBIT G-4

ITCCS OPERATIONS
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 6,175,854	\$ 6,348,854	\$ 6,587,119	\$ 238,265
5020	Total Revenues	<u>6,175,854</u>	<u>6,348,854</u>	<u>6,587,119</u>	<u>238,265</u>
EXPENDITURES:					
Current:					
Administrative Support Services:					
0041	General Administration	400,028	402,278	401,472	806
	Total Administrative Support Services	<u>400,028</u>	<u>402,278</u>	<u>401,472</u>	<u>806</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	348,282	338,782	335,606	3,176
0053	Data Processing Services	5,427,544	6,176,612	5,908,852	267,760
	Total Support Services - Nonstudent Based	<u>5,775,826</u>	<u>6,515,394</u>	<u>6,244,458</u>	<u>270,936</u>
Debt Service:					
0071	Principal on Long-Term Debt	--	73,879	73,473	406
0072	Interest on Long-Term Debt	--	405	405	--
	Total Debt Service	<u>--</u>	<u>74,284</u>	<u>73,878</u>	<u>406</u>
6030	Total Expenditures	<u>6,175,854</u>	<u>6,991,956</u>	<u>6,719,808</u>	<u>272,148</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>--</u>	<u>(643,102)</u>	<u>(132,689)</u>	<u>510,413</u>
Other Financing Sources (Uses):					
8911	Transfers Out	--	(55,000)	(55,000)	--
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(55,000)</u>	<u>(55,000)</u>	<u>--</u>
1200	Net Change in Fund Balance	<u>--</u>	<u>(698,102)</u>	<u>(187,689)</u>	<u>510,413</u>
0100	Fund Balance - Beginning	1,373,925	1,373,925	1,373,925	--
3000	Fund Balance - Ending	<u>\$ 1,373,925</u>	<u>\$ 675,823</u>	<u>\$ 1,186,236</u>	<u>\$ 510,413</u>

EDUCATION SERVICE CENTER REGION 20

ESC/TCC SOFTWARE DEVELOPMENT
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2009

EXHIBIT G-5

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 400,000	\$ 400,000	\$ 197,604	\$ (202,396)
5020	Total Revenues	<u>400,000</u>	<u>400,000</u>	<u>197,604</u>	<u>(202,396)</u>
EXPENDITURES:					
Current:					
Administrative Support Services:					
0041	General Administration	251,529	252,823	252,823	--
	Total Administrative Support Services	<u>251,529</u>	<u>252,823</u>	<u>252,823</u>	<u>--</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	47,281	52,508	52,258	250
0053	Data Processing Services	3,631,206	4,790,765	4,765,465	25,300
	Total Support Services - Nonstudent Based	<u>3,678,487</u>	<u>4,843,273</u>	<u>4,817,723</u>	<u>25,550</u>
6030	Total Expenditures	<u>3,930,016</u>	<u>5,096,096</u>	<u>5,070,546</u>	<u>25,550</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(3,530,016)	(4,696,096)	(4,872,942)	(176,846)
1200	Net Change in Fund Balance	<u>(3,530,016)</u>	<u>(4,696,096)</u>	<u>(4,872,942)</u>	<u>(176,846)</u>
0100	Fund Balance - Beginning	12,137,788	12,137,788	12,137,788	--
3000	Fund Balance - Ending	<u>\$ 8,607,772</u>	<u>\$ 7,441,692</u>	<u>\$ 7,264,846</u>	<u>\$ (176,846)</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



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CERTIFIED PUBLIC ACCOUNTANTS
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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

To the Board of Directors
Education Service Center, Region 20

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Education Service Center Region 20, as of and for the year ended August 31, 2009, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 16, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, board of directors, others within the entity, the Texas Education Agency, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

San Antonio, Texas

December 16, 2009



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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Education Service Center, Region 20

Compliance

We have audited the compliance of Education Service Center, Region 20 (the Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. 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. Compliance with the requirements of laws, regulations, contracts, grants applicable to each of its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material affect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion the Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board of directors, others within the entity, the Texas Education Agency, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

San Antonio, Texas

December 16, 2009

EDUCATION SERVICE CENTER, REGION 20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2009

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:
 Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None

Reported

Noncompliance material to the financial statements noted? _____ Yes X No

Federal and State Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None

Reported

Type of auditors' report issued on compliance for major programs:
 Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 _____ Yes X No

Identification of major programs:

Federal:

CFDA NUMBER(S)

NAME OF FEDERAL/STATE PROGRAM OR CLUSTER

84.027/84.173
 84.010
 84.184

IDEA-B Cluster
 Title I School Support
 Readiness and Emergency Management in Schools

84.367

Title II Part A, Teacher and Principal Training

Dollar threshold used to distinguish between Type A and Type B programs:

- Federal - \$377,630

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II: FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

EDUCATION SERVICE CENTER, REGION 20
SUMMARY SCHEDULE OF PROR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2009

<u>FINDINGS/RECOMMENDATION</u>	<u>CURRENT STATUS</u>	<u>MANAGEMENT'S EXPLANATION IF NOT IMPLEMENTED</u>
None	-	No prior year findings

EDUCATION SERVICE CENTER, REGION 20

EXHIBIT K-1
Page 1 of 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Pass Through Amount To Subrecipients
<u>U. S. Department of Health and Human Services</u>				
Direct Programs:				
Head Start Operational	93.600	06CH0389/18	\$ 1,269,476	\$ 811,349
Head Start Training	93.600	06CH0389/18	34,403	-
Passed Through State Department of Education:				
TANF for Adult Education	93.558	083625017110199	4,455	-
TANF for Adult Education	93.558	093625017110242	133,222	-
Maternal and Child Health Services Block Grant	93.994	2009-029108-001	86,542	-
Passed Through State Department of Health Services:				
Homeless Education Planning Grant	84.196	99006	103,987	76,013
Passed Through City of San Antonio				
Bexar County Head Start Education	93.600	NONE	185,497	-
Bexar County Head Start Training & Technical Assistance	93.600	NONE	51,284	-
Bexar County Head Start Transition Funding	93.600	NONE	94,834	-
Total Department of Health and Human Services			<u>\$ 1,963,700</u>	<u>\$ 887,362</u>
<u>U.S. Department of Agriculture</u>				
Passed Through State Department of Agriculture:				
Child Nutrition Program	10.560	015-950	\$ 51,539	\$ -
Child Nutrition Program	10.560	015-950	356,894	-
Total Department of Agriculture			<u>\$ 408,433</u>	<u>\$ -</u>
<u>U.S. Department of Education</u>				
Direct Programs:				
Readiness & Emergency Management in Schools	84.184E	Q184E070073	431,676	-
Teacher Alternative Preparation Program	84.350A	U350A040004	-	-
Teacher Alternative Preparation Program	84.350A	U350A040004	273,331	-
Gateways to the Past: An American History	84.215X	U215X040170	25,689	-
Passed Through State Department of Education:				
ABE - English Literacy	84.002A	094100087110280	\$ 101,265	\$ -
ABE - English Literacy	84.002A	104100087110339	12,559	-
Project GREAT-Getting Results Educating Adults in Texas	84.002A	084100037110030	2,466	-
Project GREAT-Getting Results Educating Adults in Texas	84.002A	094100037110034	357,773	-
Federal Adult Education Section 322	84.002A	094100017110245	516,216	-
Federal Adult Education Section 322	84.002A	104100017110282	85,466	-
ABE - Correctional Institutions	84.002A	094100017110245	25,921	-
ABE - Correctional Institutions	84.002A	104100017110282	6,000	-

EDUCATION SERVICE CENTER, REGION 20

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Pass Through Amount To Subrecipients
ESEA Title I School Support	84.010A	0961010271220	80,387	-
ESEA Title I School Support	84.010A	1061010271220	1,025	-
ESEA Title I Nonpublic Coop	84.010A	NONE	551,125	-
ESEA Title I, Migrant	84.011	0861500271220	15,548	-
ESEA Title I, Migrant	84.011	0961500271220	361,186	-
ESEA Title I, Migrant	84.011	1061500271220	25,483	-
Education of Migratory Children	84.011	09615001015950	324,497	8,701
Education of Migratory Children	84.011	10615001015950	81,578	-
ESEA Title I, Migrant Project SMART	84.011	0861500271220	124,347	-
ESEA Title I, Migrant Project SMART	84.011	0961500271220	301,253	-
ESEA Title I, Migrant Project SMART	84.011	1061500271220	214	-
IDEA-B Deaf	84.027	0966002271220	87,072	-
Decentralization	84.027	0866002271220	2,071	-
Decentralization	84.027	0966002271220	218,237	-
Decentralization	84.027	1066002271220	5,567	-
IDEA-B Discretionary	84.027	0866002271220	51,415	-
IDEA-B Discretionary	84.027	0966002271220	1,868,849	-
IDEA-B Discretionary	84.027	1066002271220	10,128	-
Public Meeting-Spec Ed	84.027	0966002271220	5,970	-
IDEA-B Rider 25	84.027	0866002271220	38,123	-
IDEA-B Rider 25	84.027	0966002271220	482,533	-
IDEA-B Rider 25	84.027	1066002271220	8,619	-
Promising Practices	84.027	0866002271220	2,544	-
Promising Practices	84.027	0966002271220	6,000	-
IDEA-B Visually Impaired	84.027	0866002271220	812	-
IDEA-B Visually Impaired	84.027	0966002271220	74,278	-
IDEA-B Charter Schools	84.027	0866002271220	7,664	-
IDEA-B Charter Schools	84.027	0966002271220	75,016	-
IDEA-B Charter Schools	84.027	1066002271220	751	-
Texas Behavior Support Initiative	84.027	0866002271220	12,221	1,855
Texas Behavior Support Initiative	84.027	0966002271220	9,489	48,244
Regional Day Service for the Deaf	84.027	0866002271220	4,362	105,776
Regional Day Service for the Deaf	84.027	0966002271220	-	168,041
IDEA-B Discretionary Deaf	84.027	096600020159506673	-	7,557
IDEA-B Formula Deaf	84.027	096600010159506601	-	6,742
IDEA-B Preschool Deaf	84.027	096610010159506611	-	1,461
Career/Technology Education	84.048	0942001271220	5,250	-
Career/Technology Education	84.048	0942001071220	34,696	-
Career/Technology Education	84.048	1042001071220	605	-
Career/Technology Education	84.048	0942000971220	9,814	-
Career/Technology Education	84.048	1042000971220	1,052	-
CTE PBM Support	84.048	0942001171220	10,000	-
Basic Grant Title II	84.048	09420006015950	63,210	-
Basic Grant Title II	84.048	10420006015950	16,790	-
IDEA-B Preschool	84.173	0866102271220	28,177	-
IDEA-B Preschool	84.173	0966102271220	298,965	89,370
ESEA Title IV DFSC	84.186A	0969100371220	31,317	-
ESEA Title IV DFSC	84.186A	1069100371220	1,254	-
ESEA Title VI, Safe & Drug-Free Schools	84.186A	09691001015950	131,663	-
ESEA Title VI, Safe & Drug-Free Schools	84.186A	10691001015950	10,586	-
Even Start Literacy Program	84.213C	096120017110375	161,000	39,000
Southwest Educational Development Lab (SEDL)-School Improv	84.283B	NONE	96,793	-
Title II, Part D, Technology	84.318	09630001015950	32,417	-
Title II, Part D, Technology	84.318	10630001015950	2,176	-
Texas Reading First / ESC Collaborative	84.357A	0864550971220	100,000	-

EDUCATION SERVICE CENTER, REGION 20

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Pass Through Amount To Subrecipients
Title III, English Language-Bilingual	84.365	0967100271220	58,798	-
Title III, English Language-Bilingual	84.365	1067100271220	5,812	-
English Language Acquisition Title III	84.365	09671001015950	113,609	5,893
English Language Acquisition Title III	84.365	10671001015950	23,335	-
Texas Regional Collaborative for Excellence in Science Teaching	84.366B	UTA08-440/086944047110001	112,329	-
Texas Regional Collaborative for Excellence in Science Teaching	84.366B	UTA09-342/096944047110001	11,825	-
Texas Regional Collaborative for Excellence in Math Teaching (84.366	UTA08-589/086944047110001	116,802	-
Texas Regional Collaborative for Excellence in Math Teaching (84.366	UTA09-342/096944047110001	17,571	-
Title II, Part A, Teacher and Principal Training	84.367A	09694501015950	201,018	281,160
Title II, Part A, Teacher and Principal Training	84.367A	10694501015950	31,513	-
Title I NonPublic Coop ARRA	84.389	NONE	19,599	-
Fed Title I Part A Shared Services ARRA	84.389	10551001015950	312	-
Consolidated Admin. Funds (NCLB Support)	84.999	0960001171220	131,934	-
Consolidated Admin. Funds (NCLB Support)	84.999	1060001171220	7,416	-
Total Department of Education			8,564,364	763,800
Total Expenditures of Federal Awards			\$ 10,936,497	\$ 1,651,162
Reconciliation:				
Federal Expenditures			\$ 10,936,497	
Pass through Amount to Subrecipients			1,651,162	
Total Payments			\$ 12,587,659	
Federal Revenue Exhibit C-2:			\$ 12,587,660	
Add Refunds			-	
Total			\$ 12,587,660	

EDUCATION SERVICE CENTER, REGION 20
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2009

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Education Service Center Region 20 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Because the schedule of expenditures of federal awards presents only a selected portion of the activities of the Center, it is not intended to and does not present either the financial position, activities, or changes in net assets of Education Service Center, Region 20.