



Dave Yost • Auditor of State



**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center  
Licking County  
675 Price Road  
Newark, Ohio 43055

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Educational Service Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2011, 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.

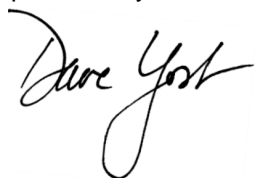
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 major fund, and the aggregate remaining fund information of Educational Service Center, Licking County, Ohio, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, during the year ended June 30, 2011, the Center adopted Governmental Accounting Standards No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, which resulted in reclassifications to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 13, 2012

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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The discussion and analysis of the Licking County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- Net assets of governmental activities decreased \$34,061.
- General revenues accounted for \$543,607 in revenues or 5 percent of total revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,410,490, 95 percent of total revenues of \$10,954,097.
- Total assets increased \$46,413. The majority of the increase was due to an increase in cash and cash equivalents in the amount of \$303,324, an increase in prepaid items of \$2,752, and an increase in accounts receivable in the amount of \$2,528 which were offset by a decrease in intergovernmental receivables in the amount of \$290,265. Capital assets increased for fiscal year 2011 due to additions in the amount of \$77,677 which was offset by depreciation in the amount of \$42,895 and a loss on disposal of capital asset in the amount of \$7,229.
- Total liabilities of governmental activities increased \$12,352. The increase was due mainly to an increase in long-term liabilities due to the Educational Service Center entering into capital lease agreements for new copier equipment.
- The Educational Service Center had \$10,920,036 in expenses related to governmental activities; only \$10,410,490 of these expenses was offset by program specific charges for services and grants and contributions. General revenues in the amount of \$543,607 were adequate to provide for these services.
- The Educational Service Center's major fund is the General Fund. The General Fund had \$10,184,425 in revenues and \$9,979,056 in expenditures, and \$53,625 in other financing sources. The General Fund's balance increased \$258,994.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Licking County Educational Service Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other non-major funds presented in total in one column.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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***Reporting the Educational Service Center as a Whole***

**Statement of Net Assets and Statement of Activities**

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for School Districts, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets and the Statement of Activities, all of the Educational Service Center's activities are reported as governmental including instruction and support services.

***Reporting the Educational Service Center's Most Significant Funds***

***Fund Financial Statements***

The analysis of the Educational Service Center's major fund begins on page 8. Fund financial reports provide detailed information about the Educational Service Center's major fund. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the General Fund.

***Governmental Funds*** All of the Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Educational Service Center's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The Educational Service Center as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2011 compared to 2010.



**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**Table 1**  
**Net Assets**

	Governmental Activities		
	2011	2010	Change
<b>Assets</b>			
Current and Other Assets	\$3,331,525	\$3,312,665	\$18,860
Capital Assets	128,592	101,039	27,553
<b>Total Assets</b>	<b>3,460,117</b>	<b>3,413,704</b>	<b>46,413</b>
<b>Liabilities</b>			
Long-Term Liabilities	404,675	344,516	60,159
Other Liabilities	1,201,589	1,249,396	(47,807)
<b>Total Liabilities</b>	<b>1,606,264</b>	<b>1,593,912</b>	<b>12,352</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	68,611	64,838	3,773
Restricted	33,819	120,887	(87,068)
Unrestricted	1,751,423	1,634,067	117,356
<b>Total Net Assets</b>	<b>\$1,853,853</b>	<b>\$1,819,792</b>	<b>\$34,061</b>

Total assets increased \$46,413. The majority of the increase was due to an increase in cash and cash equivalents in the amount of \$303,324, an increase in prepaid items of \$2,752, and an increase in accounts receivable in the amount of \$2,528 which were offset by a decrease in intergovernmental receivables in the amount of \$290,265. The increase in cash and cash equivalents was due mainly to some cost saving measures approved by the Educational Service Center Board of Education. The decrease in intergovernmental receivables is due to a decrease in special program amounts due from local school districts. Capital assets increased for fiscal year 2011 due to additions in the amount of \$77,677 which was offset by depreciation in the amount of \$42,895 and a loss on disposal of capital asset in the amount of \$7,229.

Total liabilities increased \$12,352. This increase was primarily due to an increase in the long-term liabilities related to compensated absences and in capital leases payable. During fiscal year 2011, the Educational Service Center entered into new leases for copier equipment. The Educational Service Center recognized an inception of capital leases in the amount of \$53,625. Compensated absences increased from fiscal year 2010 to 2011 in the amount of \$36,379 due to more employees reaching eleven years of service with the Educational Service Center which is the threshold under the vesting method. The other liabilities decreased mainly in the areas of accrued wages and benefits payable and intergovernmental payable. This decrease was largely attributed to a reduction of five employees from fiscal year 2010 to 2011.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2011, and comparisons to fiscal year 2010.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		
	2011	2010	Change
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$8,738,815	\$8,310,369	\$428,446
Operating Grants and Contributions	1,671,675	1,980,741	(309,066)
Total Program Revenues	<u>10,410,490</u>	<u>10,291,110</u>	<u>119,380</u>
General Revenues:			
Grants and Entitlements	539,857	549,251	(9,394)
Investment Earnings	2,009	3,339	(1,330)
Miscellaneous	1,741	9,505	(7,764)
Total General Revenues	<u>543,607</u>	<u>562,095</u>	<u>(18,488)</u>
Total Revenues	<u>10,954,097</u>	<u>10,853,205</u>	<u>100,892</u>
<b>Program Expenses</b>			
Instruction:			
Regular	1,000	0	1,000
Special	2,718,365	2,903,741	(185,376)
Support Services:			
Pupils	1,715,948	1,844,956	(129,008)
Instructional Staff	4,648,118	4,765,216	(117,098)
Intergovernmental	132,477	148,811	(16,334)
Board of Education	11,603	12,679	(1,076)
Administration	874,040	942,093	(68,053)
Fiscal	274,154	287,899	(13,745)
Business	8,181	8,033	148
Operation and Maintenance of Plant	86,037	88,711	(2,674)
Central	443,344	266,101	177,243
Interest and Fiscal Charges	6,769	3,164	3,605
Total Expenses	<u>10,920,036</u>	<u>11,271,404</u>	<u>(351,368)</u>
<i>Change in Net Assets</i>	34,061	(418,199)	452,260
Net Assets Beginning of Year	<u>1,819,792</u>	<u>2,237,991</u>	<u>(418,199)</u>
Net Assets End of Year	<u>\$1,853,853</u>	<u>\$1,819,792</u>	<u>\$34,061</u>

Net assets remained fairly consistent from fiscal year 2010 to 2011. The majority of the increase in net assets in the amount of \$34,061 was due to the decrease in expenses in the amount of \$351,368. The decrease in expenses is due to a decrease of five staff members from fiscal year 2010 to 2011. Revenues increased from fiscal year 2010 to 2011 due to an increase in charges for services revenues from fiscal year 2010 to 2011.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

The Educational Service Center relies heavily upon special education programs and services provided to local school districts. As long as the charges for services do not exceed the local school districts' ability or willingness to continue to purchase special education services, revenues should continue to increase.

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions, offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**  
**Governmental Activities**

	2011 Total Cost of Services	2011 Net Cost of Services	2010 Total Cost of Services	2010 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$1,000	(\$368)	\$0	\$0
Special	2,718,365	2,105	2,903,741	(1,074,998)
Support Services:				
Pupils	1,715,948	404,605	1,844,956	931,570
Instructional Staff	4,648,118	(1,341,381)	4,765,216	(121,583)
Intergovernmental	132,477	7,672	148,811	15,842
Board of Education	11,603	11,603	12,679	12,679
Administration	874,040	672,787	942,093	656,644
Fiscal	274,154	236,135	287,899	207,297
Business	8,181	8,181	8,033	8,033
Operation and Maintenance of Plant	86,037	86,037	88,711	88,711
Central	443,344	415,401	266,101	252,935
Interest and Fiscal Charges	6,769	6,769	3,164	3,164
<b>Totals</b>	<b>\$10,920,036</b>	<b>\$509,546</b>	<b>\$11,271,404</b>	<b>\$980,294</b>

Special instruction programs comprise approximately 25 percent of total governmental program expenses while support services comprise approximately 75 percent of total governmental program expenses. Of the support services expenses, approximately 21 percent is for pupils, 57 percent for instructional staff, and 11 percent for administration.

**The Educational Service Center's Major Funds**

The Educational Service Center's major fund (the General Fund) is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$10,184,425, expenditures of \$9,979,056, and other financing sources of \$53,625 which resulted in an increase in fund balance of \$258,994. Fiscal year 2011 revenues increased \$361,594 over fiscal year 2010 while expenses decreased from fiscal year 2010 to fiscal year 2011 by \$88,417. The additional revenues were due to an increase in charges for services. The majority of the decrease in expenses was in the areas of special instruction and support services pupil which was due mainly to a decrease of five employees from fiscal year 2010 to fiscal year 2011.

**Licking County Educational Service Center, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

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***General Fund Budgeting Highlights***

Under Ohio law Educational Service Centers are no longer required to prepare a budget. Therefore, at June 30, 2011 a budgetary statement is not presented within the basic financial statements because the Board did not approve estimated revenues or adopt appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the Educational Service Center had \$128,592 invested in furniture, fixtures, and equipment. Table 4 shows fiscal year 2011 balances compared to 2010.

**Table 4**  
**Capital Assets at June 30, 2011**  
**(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Furniture, Fixtures, and Equipment	\$128,592	\$101,039

See Note 8 for more detailed information of the Educational Service Center's capital assets.

***Debt***

At June 30, 2011, the Educational Service Center had \$59,981 in capital leases outstanding. See Note 13 for more detailed information of the Educational Service Center's debt.

***Economic Factors***

The Licking County Educational Service Center's net assets increased by \$34,061. As the preceding information reflects, the Educational Service Center relies heavily on the special education services that is provided to local school districts. Special education service charges are based upon the actual cost of the service divided by the number of students who will benefit from the service. The financial positions of the local school districts and their willingness to continue to contract for special education services with the Educational Service Center will have a direct impact on the increase or decrease in revenues of the Educational Service Center.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, districts, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information please contact Ellen Towner, Treasurer at the Licking County Educational Service Center, 675 Price Road, Newark, Ohio 43055. You may also E-mail the treasurer at [etowner@laca.org](mailto:etowner@laca.org).

**Licking County Educational Service Center, Ohio**

*Statement of Net Assets*

*June 30, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,340,187
Prepaid Items	3,051
Accounts Receivable	10,867
Intergovernmental Receivable	1,975,697
Materials and Supplies Inventory	1,723
Depreciable Capital Assets, Net	<u>128,592</u>
<i>Total Assets</i>	<u>3,460,117</u>
<b>Liabilities</b>	
Accounts Payable	9,817
Matured Compensated Absences Payable	1,860
Accrued Wages and Benefits Payable	882,752
Intergovernmental Payable	307,160
Long-Term Liabilities:	
Due Within One Year	142,836
Due In More Than One Year	<u>261,839</u>
<i>Total Liabilities</i>	<u>1,606,264</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	68,611
Restricted for Advisory Services	27,693
Restricted for Other Purposes	6,126
Unrestricted	<u>1,751,423</u>
<i>Total Net Assets</i>	<u><u>\$1,853,853</u></u>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2011*

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$1,000	\$0	\$1,368	\$368
Special	2,718,365	1,886,711	829,549	(2,105)
Support Services:				
Pupils	1,715,948	1,284,567	26,776	(404,605)
Instructional Staff	4,648,118	5,431,059	558,440	1,341,381
Intergovernmental	132,477	0	124,805	(7,672)
Board of Education	11,603	0	0	(11,603)
Administration	874,040	124,920	76,333	(672,787)
Fiscal	274,154	1,558	36,461	(236,135)
Business	8,181	0	0	(8,181)
Operation and Maintenance of Plant	86,037	0	0	(86,037)
Central	443,344	10,000	17,943	(415,401)
Interest and Fiscal Charges	6,769	0	0	(6,769)
<b>Totals</b>	<b>\$10,920,036</b>	<b>\$8,738,815</b>	<b>\$1,671,675</b>	<b>(509,546)</b>

**General Revenues**

Grants and Entitlements not Restricted to Specific Programs	539,857
Investment Earnings	2,009
Miscellaneous	1,741
<b>Total General Revenues</b>	<b>543,607</b>
<i>Change in Net Assets</i>	34,061
<i>Net Assets Beginning of Year</i>	1,819,792
<i>Net Assets End of Year</i>	<b>\$1,853,853</b>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,190,714	\$149,473	\$1,340,187
Accounts Receivable	10,867	0	10,867
Interfund Receivable	2,680	34	2,714
Intergovernmental Receivable	1,975,697	0	1,975,697
Prepaid Items	3,051	0	3,051
Materials and Supplies Inventory	1,723	0	1,723
<b>Total Assets</b>	<b>\$3,184,732</b>	<b>\$149,507</b>	<b>\$3,334,239</b>
<b>Liabilities</b>			
Accounts Payable	\$9,220	\$597	\$9,817
Accrued Wages and Benefits Payable	850,356	32,396	882,752
Intergovernmental Payable	225,998	81,162	307,160
Interfund Payable	34	2,680	2,714
Matured Compensated Absences Payable	1,860	0	1,860
Deferred Revenue	1,968,705	0	1,968,705
<b>Total Liabilities</b>	<b>3,056,173</b>	<b>116,835</b>	<b>3,173,008</b>
<b>Fund Balances</b>			
Nonspendable	4,774	0	4,774
Restricted	0	33,819	33,819
Committed	57,872	0	57,872
Assigned	98,244	0	98,244
Unassigned	(32,331)	(1,147)	(33,478)
<b>Total Fund Balances</b>	<b>128,559</b>	<b>32,672</b>	<b>161,231</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,184,732</b>	<b>\$149,507</b>	<b>\$3,334,239</b>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**  
*Reconciliation of the Governmental Funds Balance Sheet to  
the Statement of Net Assets  
June 30, 2011*

<b>Total Governmental Fund Balances</b>	\$161,231			
 <i>Amounts reported for governmental activities in the statement of net assets are different because of the following:</i>				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	128,592			
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:				
Charges for Services	1,968,705			
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:				
Compensated Absences	(344,694)			
Capital Leases Payable	(59,981)			
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; border-top: 1px solid black; text-align: right;">(404,675)</td> <td style="width: 20%;"></td> </tr> </table>		(404,675)	
	(404,675)			
Net Assets of Governmental Activities	\$1,853,853			
 See accompanying notes to the basic financial statements				



**Licking County Educational Service Center, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$1,345,645	\$839,196	\$2,184,841
Investment Earnings	2,009	0	2,009
Charges for Services	8,455,233	46,610	8,501,843
Tuition and Fees	345,994	0	345,994
Contributions and Donations	33,803	17,036	50,839
Miscellaneous	1,741	0	1,741
<b>Total Revenues</b>	<b>10,184,425</b>	<b>902,842</b>	<b>11,087,267</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	0	1,000	1,000
Special	2,564,586	158,581	2,723,167
Support Services:			
Pupils	1,689,680	26,860	1,716,540
Instructional Staff	4,104,655	520,361	4,625,016
Board of Education	11,603	0	11,603
Administration	821,472	66,460	887,932
Fiscal	237,374	35,209	272,583
Business	8,181	0	8,181
Operation and Maintenance of Plant	85,804	0	85,804
Central	419,087	21,051	440,138
Intergovernmental	0	132,477	132,477
Debt Service:			
Principal Retirement	29,845	0	29,845
Interest and Fiscal Charges	6,769	0	6,769
<b>Total Expenditures</b>	<b>9,979,056</b>	<b>961,999</b>	<b>10,941,055</b>
Excess of Revenues Over (Under) Expenditures	205,369	(59,157)	146,212
<b>Other Financing Source</b>			
Inception of a Capital Lease	53,625	0	53,625
Net Change in Fund Balances	258,994	(59,157)	199,837
Fund Balances Beginning of Year, restated Note 3	(130,435)	91,829	(38,606)
Fund Balances End of Year	<b>\$128,559</b>	<b>\$32,672</b>	<b>\$161,231</b>

See accompanying notes to the basic financial statements

**Licking County Educational Service Center, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$199,837
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*Amounts reported for governmental activities in the statement of activities  
are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital Asset Additions	77,677	
Depreciation Expense	(42,895)	34,782

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on disposal of capital assets:

Loss on Disposal of Capital Assets	(7,229)
------------------------------------	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Grants	(24,148)	
Charges for Services	(109,022)	(133,170)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

29,845

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability.

(53,625)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences Payable	(36,379)
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*Change in Net Assets of Governmental Activities*

\$34,061

See accompanying notes to the basic financial statements

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - REPORTING ENTITY**

The Licking County Educational Service Center (the Educational Service Center) is located in Newark, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, cooperative classes, multi-handicapped preschool, and other services to Johnstown-Monroe, Licking Heights, Lakewood, Licking Valley, North Fork, Northridge, and Southwest Licking Local School District, Granville Exempted Village School District, Newark, and Heath City School District, and the Career and Technology Education Centers of Licking County. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Licking County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 119 support staff employees and 83 certified personnel that provide services to the school districts.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Educational Service Center are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Licking County Educational Service Center, this includes general operations and student related activities.

The Educational Service Center participates in the Licking Area Computer Association, the Career and Technology Education Centers of Licking County, the Coalition of Rural and Appalachian Schools, the Metropolitan Educational Council, the School Study Council of Ohio, the Licking County Children and Families First Council, the Ohio School Comp Workers' Compensation Group Retrospective Rating Program, the Ohio School Plan, and the Ohio School Benefits Cooperative, which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 15 and 16.

**B. Component Units**

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. No separate governmental units meet the criteria for inclusion as a component unit.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

**A. Basis Of Presentation**

The Educational Service Center's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government. These statements usually distinguish between those activities of the Educational Service Center that are governmental (primarily supported by intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The Educational Service Center, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Educational Service Center.

**Fund Financial Statements** During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. The Educational Service Center's major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds used by the Educational Service Center are classified as governmental.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is a description of the Educational Service Center's major governmental fund:

**General Fund** The General Fund is the operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted to a particular purpose.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within 60 days of fiscal year end.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the modified accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied, provided the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: charges for services, tuition, and grants.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The purpose of the measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgetary Data**

No budgetary information is presented because the Board did not approve estimated revenues or adopt appropriations. Under Ohio law, Educational Service Centers are no longer required to prepare a budget.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in these accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During fiscal year 2011 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2011.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$2,009, which includes \$279 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Receivables and Payables**

Receivables and payables on the Educational Service Center's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**I. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventories consist of consumable supplies.

**J. Capital Assets**

The Educational Service Center's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The Educational Service Center was able to estimate the historical cost for the initial reporting of capital assets by backtrending (i.e., estimating the current replacement cost of the assets to be capitalized and using an appropriate price-index to deflate the costs to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	5-30 years

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than three months of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after eleven years of current service with the Educational Service Center.

**L. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

**M. Fund Balance Reserves**

Fund balance is divided into five classifications based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**Restricted:** The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.



LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which the amounts in any of the unrestricted fund balance classifications could be used.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes include state and federal grants restricted to expenditures for specified purposes.

The Educational Service Center applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**O. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
LICKING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. Flow-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/ expenses. For fiscal year 2011, this included the Early Childhood Special Education Grant Special Revenue Fund.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2011, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the Educational Service Center's financial statements.

The implementation of GASB Statement No. 54 had the following effect on balances as they were previously reported.

	General Fund	Other Governmental Funds	Governmental Activities Total
Fund Balance at June 30, 2010	(\$206,749)	\$168,143	(\$38,606)
Change in Fund Structure	76,314	(76,314)	0
Adjusted Fund Balance at June 30, 2010	(\$130,435)	\$91,829	(\$38,606)

**NOTE 4 – ACCOUNTABILITY**

The Public Preschool Grant and Early Childhood Special Education Grant Special Revenue Funds had deficit fund balances in the amount of \$835 and \$312, respectively, at June 30, 2011. The deficits were the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the Educational Service Center are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands on the treasury. Active monies must be maintained either as cash in the Educational Service Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Educational Service Center may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and obligations of the State of Ohio;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$917,570 of the Educational Service Center's bank balance of \$1,233,513 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirement could potentially subject the Educational Service Center to a successful claim by the FDIC.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

The Educational Service Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Educational Service Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2011, the Educational Service Center had the following investment.

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$367,865	Average 58 days

Interest Rate Risk

The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to withdraw funds from approved public depositories or sell negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk

STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center has no investment policy regarding credit risk.

**NOTE 6 - STATE FUNDING**

The Educational Service Center, under state law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's local school districts based on each school's total student count.

The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of local school districts agree to the services and the apportionment of the costs to all of the local school districts.

The Educational Service Center also receives funding from the State Department of Education in the amount of \$37 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Educational Service Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Educational Service Center.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 6 - STATE FUNDING (Continued)**

The Educational Service Center may contract with city, exempted village, local, joint vocational, or cooperative education school districts to provide special education and related services or career-technical education services. The individual boards of education pay the costs for these services directly to the Educational Service Center.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011, consisted of charges for services, excess costs, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b><u>Governmental Activities</u></b>	
Printing Services	\$586
Preschool Vision Services	1,663
Fingerprinting Services - Local School Districts	1,015
Excess Costs	1,971,565
Training Services - Local School Districts	400
Other	468
Total	\$1,975,697

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>Depreciable Capital Assets</u></b>				
Furniture, Fixtures, and Equipment	\$362,611	\$77,677	(\$73,524)	\$366,764
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(261,572)	(42,895)	66,295	(238,172)
Depreciable Capital Assets, Net of Accumulated Depreciation	\$101,039	\$34,782	(\$7,229)	\$128,592

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 8 – CAPITAL ASSETS (Continued)**

The Educational Service Center is provided office space through the Licking County Commissioners.

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$17,232
Support Services:	
Pupils	2,053
Instructional Staff	2,981
Administration	19,845
Fiscal	455
Operation and Maintenance	42
Central	287
	287
Total Depreciation Expense	\$42,895

**NOTE 9 - RISK MANAGEMENT**

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Educational Service Center participated with other school districts in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP. (See Note 16)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

<u>Building and Contents (\$1,000 deductible)</u>	
Personal Property	\$881,105
Valuable Paper and Records	100,000
Accounts Receivable	100,000
Extra Expense	1,000,000
Business Income	250,000
<u>Crime Insurance (\$1,000 deductible)</u>	
Employee Theft	25,000
Forgery or Alteration	25,000
Computer Fraud	25,000
<u>Inland Marine (\$1,000 deductible)</u>	
Electronic Data Processing Media and Data Reproduction	51,500
<u>Fleet Insurance</u>	
Automobile Liability (\$250 deductible comprehensive and \$500)	2,000,000
<u>General Liability</u>	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000
<u>Educational Legal Liability for General Liability (\$2,500 deductible)</u>	
Errors and Omissions	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 9 - RISK MANAGEMENT (Continued)**

Settled claims have not exceeded coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The Educational Service Center participates in the workers' compensation program provided by the State of Ohio. Effective January 1, 2011, the Educational Service Center began participating in the Ohio School Comp Workers' Compensation Group Retrospective Rating Program (Program), an insurance purchasing pool (Note 16). The Program is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for participants. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can either receive a premium refund or assessment. Employers will pay experience or based rated premiums under the same terms as if they were not in a retro group. The total premium for the entire group is the standard premium of the group. The standard premium serves as the benchmark that is adjusted up and down retroactively. In order to allocate the savings derived by formation of the Program, the Program's executive committee annually calculates the group-retrospective premium based on developed incurred claim losses for the whole group. The new premium is compared to the standard premium. If the retrospective premium is lower than the standard premium, a refund will be distributed to the employers of the group. If the retrospective premium is higher, an assessment will be charged to each participant.

Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Comp Management, Inc. serves as the third party administrator of the Program and provides administrative, cost control, and actuarial services. Each year, the Educational Service Center pays an enrollment fee to the Program to cover the cost of administering the Program.

The Education Service Center may withdraw from the Program if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Workers' Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Program prior to withdrawal.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

Plan Description – The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)**

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Educational Service Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$576,103 and \$10,622 for the fiscal year ended June 30, 2011, \$596,172 and \$10,482 for the fiscal year ended June 30, 2010, and \$577,998 and \$23,989 for the fiscal year ended June 30, 2009. For fiscal year 2011, 88 percent has been contributed for the DB plan and 88 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 was \$32,783 made by the Educational Service Center and \$23,416 made by the plan members. In addition, member contributions of \$7,587 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

**B. School Employees Retirement System**

Plan Description - The Educational Service Center participates to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$356,193, \$335,174, and \$219,122, respectively. For fiscal year 2011, 90 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 11 - POST-EMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description – The Educational Service Center participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$47,654, \$49,263, and \$46,307 respectively. For fiscal year 2011, 88 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**B. School Employee Retirement System**

Plan Description – The Educational Service Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the Educational Service Center paid \$39,358 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$84,321, \$50,999, and \$135,597, respectively. For fiscal year 2011, 46 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 11 - POST-EMPLOYMENT BENEFITS (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009, were \$22,922, \$19,932, and \$18,079 respectively. For fiscal year 2011, 90 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administration employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 200 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Insurance Benefits**

The Educational Service Center provides health and major medical insurance for all eligible employees through Medical Mutual of Ohio. The Educational Service Center pays medical and drug monthly premiums of up to \$951.24 maximum per person. Premiums are paid from the same funds that pay the employees' salaries. The Educational Service Center also provides dental and prescription drug insurance to its employees through the same insurance carrier. The Educational Service Center pays a dental premium of up to \$56.04 monthly maximum per person for family coverage. The Educational Service Center also provides life insurance in the amount of \$50,000 through the Metropolitan Educational Council at a cost of \$4.50 per employee per month.

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE**

In the current and prior fiscal years, the Educational Service Center has entered into a capital lease for copier equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (Continued)**

The agreement provides for minimum annual lease payments as follows:

Fiscal Year Ending June 30,	Total
2012	\$15,920
2013	16,713
2014	16,345
2015	13,494
2016	3,586
Total minimum lease payments	66,058
Less: Amount representing interest	(6,077)
Present value of minimum lease	\$59,981

Principal payments in fiscal year 2011 totaled \$29,845 in the governmental funds.

Property under Capital Lease	\$79,765
Less: Accumulated Depreciation	(19,762)
Total June 30, 2011	\$60,003

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2011 were as follows:

	Outstanding 6/30/2010	Additions	Deletions	Outstanding 6/30/2011	Due Within One Year
Compensated Absences	\$308,315	\$169,447	\$133,068	\$344,694	\$129,547
Capital Leases	36,201	53,625	29,845	59,981	13,289
Total Long-Term Obligations	\$344,516	\$223,072	\$162,913	\$404,675	\$142,836

Compensated absences and capital leases will be paid from the General Fund.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Licking Area Computer Association**

The Educational Service Center is a participant in the Licking Area Computer Association (LACA) which is a computer consortium. LACA is an association which services thirteen entities within the boundaries of Licking and Muskingum Counties. These entities consist of public Educational Service Centers, private schools, and educational service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Educational Service Centers. The governing board of LACA consists of the superintendents from all participating districts.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The continued existence of LACA is not dependent on the Educational Service Center's continued participation and no equity interest exists. The LACA constitution states that any Educational Service Center withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The Educational Service Center's payments to LACA for computer services for fiscal year 2011 were \$21,420. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

**B. Career and Technology Education Centers of Licking County**

The Career and Technology Education Centers of Licking County is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of three board members from the Licking County Educational Service Center, two from the Newark City Educational Service Center, one from the Heath City Educational Service Center, and one from the Granville Exempted Village Educational Service Center, which possesses its own budgeting and taxing authority. The Educational Service Center's payments to the Career and Technology Education Centers of Licking County for services for fiscal year 2011 were \$3,481. To obtain financial information write to the Career and Technology Education Centers of Licking County, Benjamin Streby, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

**C. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 Educational Service Centers and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for Educational Service Center administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The Council is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or financial responsibility for the Council. The Educational Service Center paid \$325 to the Coalition of Rural and Appalachian Schools during fiscal year 2011 for membership fees.

**D. Metropolitan Educational Council**

The Educational Service Center participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 195 members including educational Service Centers, joint vocational schools, educational service centers, and libraries covering 42 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of 44 members, either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County and one representative from each county.

Each year, the participating Educational Service Centers pay a membership fee to MEC to cover the costs of administering the program. The Educational Service Center's membership payment to MEC for fiscal year 2011 was \$300. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**E. School Study Council of Ohio**

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 70 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. Educational Service Centers can have active membership by paying a yearly membership fee which entitles each Educational Service Center to attend Council meetings and voting privileges. Educational Service Centers may elect to be associate members which entitles them to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. The Board consisted of seventeen members. In fiscal year 2011, the Educational Service Center obtained active membership privileges and paid a membership fee of \$300.

**F. Licking County Children and Families First Council**

The Licking County Children and Families First Council (Council) is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Licking Knox County Mental Health and Recovery Services Board, Director of the Licking County Alcoholism Prevention Program, Health Commissioner of the Licking County Health Department, Health Commissioner of the City of Newark, Director of Licking County Human Services, Director of Family and Health Services, Director of Moundbuilders Guidance Center, Director of Family Counseling Services, Director of Licking County Coalition for Housing, Superintendent of the Licking County Mental Retardation and Developmental Disabilities, Licking County Juvenile Court Judge, Superintendent of the Licking County Educational Services Center, the Superintendent of Newark City Schools, a representative of the City of Newark, a representative of the Licking Economic Action Development Study, a representative of the Licking County United Way, a representative from Family and Consumer Services, a representative of the County's Early Intervention Network, a representative of the Licking County Commissioners Office, the East District Family and Children First Coordinator and at least three individuals representing the interests of families of the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In fiscal year 2011, the Educational Service Center paid a membership fee of \$2,000.

**NOTE 16 - INSURANCE PURCHASING POOLS**

**A. Ohio School Comp Workers' Compensation Group Retrospective Rating Program**

The Ohio School Comp Workers' Compensation Group Retrospective Rating Program (Program) is a shared risk pool among fifty-seven school districts in Ohio. Section 4123.29, Ohio Revised Code, permits the establishment of employer group retrospective rating plans for workers' compensation rating purposes. The Program is governed by the Ohio School Board Association (OSBA) Executive Committee that consists of seven members as follows: the president of OSBA, Immediate Past President of OSBA, and five representatives elected from the participating school districts.

The Program, a Bureau of Workers' Compensation certified sponsor, established the program based upon guidelines set forth by the Bureau of Workers' Compensation (BWC). The Program created a group of school districts that will practice effective workplace safety and claims management to achieve lower premiums for workers compensation coverage than they would individually. The participating school districts continue to pay their own premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the group. Depending upon that performance, the participating school districts can receive either a premium refund or assessment. The Program's third party administrator (TPA), Comp Management, Inc., provides administrative, cost control, and actuarial services to the Program. The cost of the TPA will be paid by each school district in proportion to its payroll to the total payroll of the group.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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**NOTE 16 - INSURANCE PURCHASING POOLS (Continued)**

The Educational Service Center began participating in the program effective January 1, 2011. As of June 30, 2011, an additional assessment or premium refund cannot be reasonably estimated. The Educational Service Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan prior to 2011. The Educational Service Center paid \$2,095 in enrollment fees to the Program as of June 30, 2011.

**B. Ohio School Plan**

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales and marketing.

**C. Ohio School Benefits Cooperative**

The Educational Service Center participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. OSBC is governed by a nine member Board of Directors, all of whom must be Educational Service Center and/or educational service center administrators. The Muskingum Valley Educational Service Center serves as the fiscal agent for OSBC. OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other group insurance coverages for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible Educational Service Center or groups of Educational Service Centers join them for the same purposes. Participants pay a \$500 membership fee to OSBC. OSBC offers two options to participants.

Participants may enroll in the joint insurance purchasing program for medical, prescription drug, vision dental and/or life insurance. A second option is available for self-insured participants that provides for the purchase of stop loss insurance coverage through OSBC's third party administrator. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of Educational Service Center superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC. On July 1, 2006, the Educational Service Center elected to participate in the joint insurance purchasing program for medical, prescription drug, and dental coverage.

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2011.

**B. Litigation**

The Educational Service Center is currently not party to any litigation.

**NOTE 18 – INTERFUND BALANCES AND ACTIVITY**

Interfund balances at June 30, 2011 consist of the following individual interfund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General	\$2,680	\$34
Other Governmental Funds:		
Public Preschool Grant	20	686
Miscellaneous State Grants	0	1,946
Early Childhood Special Education Grant	14	48
Total Other Governmental Funds	34	2,680
Total All Funds	\$2,714	\$2,714

The General Fund made advances to other non-major governmental funds during fiscal year 2010 in the amount of \$85,307 to subsidize negative cash balances. During fiscal year 2011, these advances were returned to the General Fund. There were no outstanding advances as of June 30, 2011.

**NOTE 19 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**LICKING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 19 – FUND BALANCES (Continued)**

Fund Balances	General Fund	Other Governmental Funds	Total
Nonspendable:			
Prepays	\$3,051	\$0	\$3,051
Materials and Supplies Inventory	1,723	0	1,723
<i>Total Nonspendable</i>	<u>4,774</u>	<u>0</u>	<u>4,774</u>
Restricted for:			
Advisory Services	0	27,693	27,693
State Grant Expenditures	0	6,126	6,126
<i>Total Restricted</i>	<u>0</u>	<u>33,819</u>	<u>33,819</u>
<u>Committed to:</u>			
Other Purposes	57,872	0	57,872
<i>Total Restricted</i>	<u>57,872</u>	<u>0</u>	<u>57,872</u>
Assigned to:			
Preschool Program	76,347	0	76,347
Other Purposes	21,897	0	21,897
<i>Total Assigned</i>	<u>98,244</u>	<u>0</u>	<u>98,244</u>
Unassigned:	(32,331)	(1,147)	(33,478)
<i>Total Fund Balances</i>	<u>\$128,559</u>	<u>\$32,672</u>	<u>\$161,231</u>





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Educational Service Center  
Licking County  
675 Price Road  
Newark, Ohio 43055

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Educational Service Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 13, 2012, wherein we noted the Center adopted Government Accounting Standard 54 which resulted in reclassification to governmental fund balances. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated January 13, 2012.

We intend this report solely for the information and use of management, Board of Education, and others within the Center. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 13, 2012



# Dave Yost • Auditor of State

LICKING EDUCATIONAL SERVICE CENTER

LICKING COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 8, 2012