

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

East Central Ohio Educational Service Center
Tuscarawas County
834 East High Ave.
New Philadelphia, Ohio 44663

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major General Fund, and the aggregate remaining fund information of the East Central Ohio Educational Service Center, Tuscarawas County, Ohio (the ESC), as of and for the year ended June 30, 2011, which collectively comprise the ESC's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the ESC'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 General Fund, and the aggregate remaining fund information of the East Central Ohio Educational Service Center, Tuscarawas 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012, on our consideration of the ESC'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.

We conducted our audit to opine on the financial statements that collectively comprise the ESC's basic financial statements taken as a whole. The budgetary comparison for the General Fund provides additional analysis that is not a required part of the basis financial statements. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The budgetary comparison for the General Fund and the Federal Awards Receipts and Expenditures Schedule are management's responsibility, and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 23, 2012

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the East Central Ohio Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the ESC'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 ESC's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$630,860 which represents a 42.44% increase from 2010.
- General revenues accounted for \$1,760,083 in revenue or 18.57% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,716,501 or 81.43% of total revenues of \$9,476,584.
- The ESC had \$8,845,724 in expenses related to governmental activities; \$7,716,501 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$1,760,083 were adequate to provide for these programs.
- The ESC's only major governmental fund is the general fund. The general fund had \$8,699,586 in revenues and \$8,273,516 in expenditures. During fiscal year 2011, the general fund's fund balance increased \$426,070 from \$583,615 to \$1,009,685.

Using these Basic Financial Statements

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 ESC as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole ESC, presenting both an aggregate view of the ESC'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 ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

These two statements report the ESC's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the ESC as a whole, the financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the ESC's facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, operation and maintenance of plant and pupil transportation.

The ESC's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental fund begins on page 9. Fund financial reports provide detailed information about the ESC's major fund. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's only major governmental fund is the general fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the ESC's general government 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The ESC's fiduciary activities are reported in a separate statement of fiduciary net assets on page 19. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-41 of this report.

Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information on pages 42-44 of this report.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The ESC as a Whole

Recall that the statement of net assets provides the perspective of the ESC as a whole.

The table below provides a summary of the ESC's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 2,072,232	\$ 1,631,199
Capital assets, net	<u>1,693,694</u>	<u>1,637,892</u>
Total assets	<u>3,765,926</u>	<u>3,269,091</u>
<u>Liabilities</u>		
Current liabilities	869,742	841,510
Long-term liabilities	<u>778,938</u>	<u>941,195</u>
Total liabilities	<u>1,648,680</u>	<u>1,782,705</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,171,402	1,032,411
Restricted	73,397	63,570
Unrestricted	<u>872,447</u>	<u>390,405</u>
Total net assets	<u>\$ 2,117,246</u>	<u>\$ 1,486,386</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the ESC's assets exceeded liabilities by \$2,117,246. Of this total, \$872,447 is unrestricted in use.

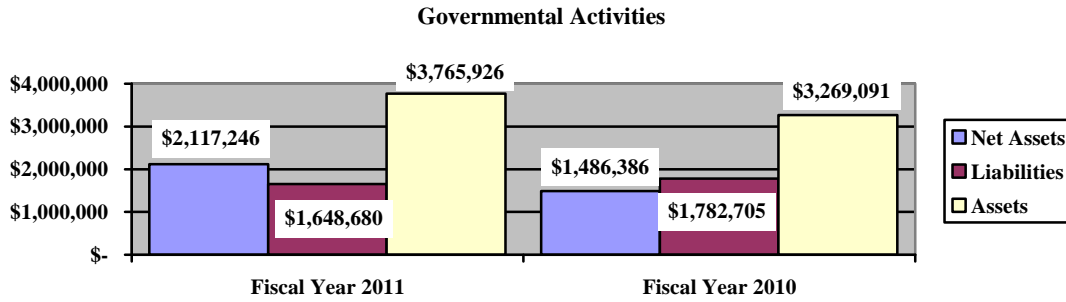
At year-end, capital assets represented 44.97% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$1,171,402. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$73,397, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$872,447 may be used to meet the ESC's ongoing obligations to the students and creditors.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the ESC's assets, liabilities and net assets for fiscal years 2011 and 2010.



The table below shows the change in net assets for fiscal year 2011 and 2010.

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 6,901,524	\$ 6,155,715
Operating grants and contributions	814,977	691,150
General revenues:		
Grants and entitlements	1,756,698	1,751,730
Investment earnings	3,385	6,047
Other	-	41,017
Total revenues	<u>9,476,584</u>	<u>8,645,659</u>

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 716,577	\$ 668,056
Special	1,360,275	1,335,630
Vocational	8,347	-
Other	335,052	38,158
Support services:		
Pupil	2,236,458	2,411,631
Instructional staff	2,836,505	2,925,677
Board of education	17,676	24,472
Administration	375,348	483,235
Fiscal	249,412	202,847
Business	118,956	169,526
Operations and maintenance	201,753	176,837
Pupil transportation	12,416	14,156
Central	348,763	200,171
Interest and fiscal charges	<u>28,186</u>	<u>31,797</u>
Total expenses	<u>8,845,724</u>	<u>8,682,193</u>
Change in net assets	630,860	(36,534)
Net assets at beginning of year	<u>1,486,386</u>	<u>1,522,920</u>
Net assets at end of year	<u>\$ 2,117,246</u>	<u>\$ 1,486,386</u>

Governmental Activities

Net assets of the ESC's governmental activities increased \$630,860. Total governmental expenses of \$8,845,724 were offset by program revenues of \$7,716,501 and general revenues of \$1,760,083. Program revenues supported 87.23% of the total governmental expenses.

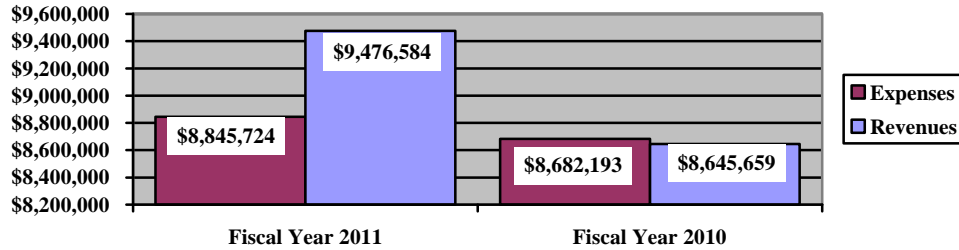
The primary sources of revenue for governmental activities are derived from charges for services and sales. This revenue source represents 72.83% of total governmental revenue.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the ESC's governmental activities revenue and expenses for fiscal year 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 716,577	\$ 390,108	\$ 668,056	\$ 373,754
Special	1,360,275	(131,122)	1,335,630	44,149
Vocational	8,347	8,347	-	-
Other	335,052	335,052	38,158	38,158
Support services:				
Pupil	2,236,458	(212,304)	2,411,631	287,101
Instructional staff	2,836,505	(259,338)	2,925,677	169,726
Board of education	17,676	17,676	24,472	24,472
Administration	375,348	31,819	483,235	121,125
Fiscal	249,412	249,412	202,847	202,847
Business	118,956	118,956	169,526	169,526
Operations and maintenance	201,753	194,252	176,837	161,346
Pupil transportation	12,416	12,416	14,156	14,156
Central	348,763	345,763	200,171	197,171
Interest and fiscal charges	<u>28,186</u>	<u>28,186</u>	<u>31,797</u>	<u>31,797</u>
Total expenses	<u>\$ 8,845,724</u>	<u>\$ 1,129,223</u>	<u>\$ 8,682,193</u>	<u>\$ 1,835,328</u>

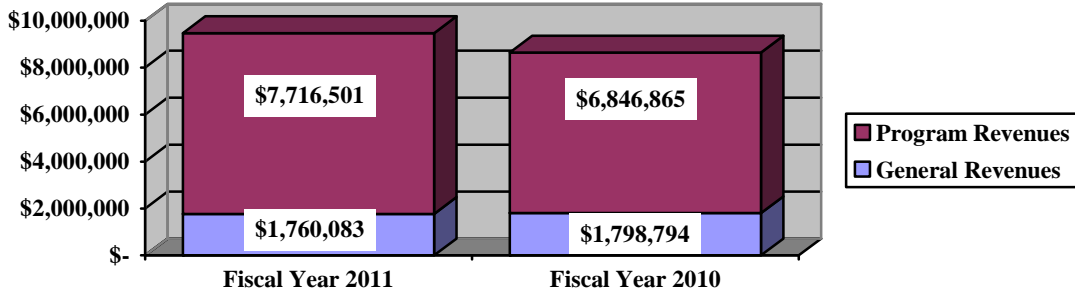
For all governmental activities, general revenue support is 12.77%. The primary support of the ESC is program revenues, charges for services, from Districts to which the ESC provides services.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the ESC's governmental activities revenue for fiscal year 2011 and 2010.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance of \$1,055,268, which is higher than last year's total of \$611,515. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	<u>Fund Balance June 30, 2011</u>	<u>Fund Balance June 30, 2010</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 1,009,685	\$ 583,615	\$ 426,070	73.01 %
Other Governmental	<u>45,583</u>	<u>27,900</u>	<u>17,683</u>	63.38 %
Total	<u>\$ 1,055,268</u>	<u>\$ 611,515</u>	<u>\$ 443,753</u>	72.57 %

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund

The ESC's general fund balance increased by \$426,070. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2011 Amount</u>	<u>2010 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Tuition	\$ 2,099,752	\$ 2,321,776	\$ (222,024)	(9.56) %
Earnings on investments	3,385	6,047	(2,662)	(44.02) %
Contract services	4,839,751	3,746,792	1,092,959	29.17 %
Other revenues	-	41,017	(41,017)	100.00 %
Intergovernmental	<u>1,756,698</u>	<u>1,751,730</u>	<u>4,968</u>	0.28 %
Total	<u>\$ 8,699,586</u>	<u>\$ 7,867,362</u>	<u>\$ 832,224</u>	10.58 %
<u>Expenditures</u>				
Instruction	\$ 2,039,904	\$ 1,747,463	\$ 292,441	16.74 %
Support services	6,122,237	6,230,203	(107,966)	(1.73) %
Debt service	<u>111,375</u>	<u>111,375</u>	<u>-</u>	-
Total	<u>\$ 8,273,516</u>	<u>\$ 8,089,041</u>	<u>\$ 184,475</u>	2.28 %

Interest revenue decreased 44.02% due to lower interest rates earned on investments compared to the prior year. Contract services revenue increased 29.17% due to the ESC providing services to more districts and the increase in Distance Learning contracts across the State. Instructional expenditures increased 16.74% due to the ESC taking over the tutors and Title I-D instructors in Belmont County due to the merger with Belmont County Educational Service Center in fiscal year 2010. The ESC also hired additional intervention specialists for Carrollton Exempted Village School District during the fiscal year.

Debt Administration and Capital Assets

Debt Administration

At June 30, 2011, the ESC had \$417,451 in capital lease obligations and \$104,841 in a lease purchase agreement outstanding. Of this total, \$87,023 is due within one year and \$435,269 is due in greater than one year.

The following table summarizes the loans and lease obligations outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
Capital lease obligation	\$ 417,451	\$ 479,674
Lease purchase agreement	<u>104,841</u>	<u>125,807</u>
Total	<u>\$ 522,292</u>	<u>\$ 605,481</u>

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

See Note 12 to the basic financial statements for additional information on the ESC's debt administration.

Capital Assets

At the end of fiscal year 2011, the ESC had \$1,693,694 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2011 balances compared to 2010:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 22,360	\$ 22,360
Land improvements	40,347	45,093
Building and improvements	1,308,156	1,372,054
Furniture and equipment	283,185	163,035
Vehicles	39,646	35,350
 Total	 <u>\$ 1,693,694</u>	 <u>\$ 1,637,892</u>

The overall increase in capital assets of \$55,802 is due to capital outlays of \$178,497 exceeding depreciation expense of \$120,855 and disposals of capital assets of \$35,692 exceeding the disposal of accumulated depreciation of \$33,852 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the ESC's capital assets.

Current Financial Related Activities

Overall, the ESC remains financially stable. As the preceding information shows, the ESC relies heavily on service contracts with Local, City, Exempted Village School Districts and other entities within the four county area. The ESC has also begun providing Distant Learning Services to districts across the State of Ohio as well as in other States across the United States.

The future of the ESC is dependent upon it maintaining stability in a very difficult budget environment. Some of those challenges that the ESC will be facing are:

- 1.) Current legislation reducing the state funding to Educational Service Centers. During the next two years the ESC is faced with losing at least 50% of their state funding.
- 2.) Moving forward with a Shared Services Initiative/Collaboration with other ESC's and Local Government entities.
- 3.) Continuing to identify and provide the needed services to the districts the ESC services in the most cost effective manner available.

The ESC's system of budgeting, and internal controls are well regarded. All of the ESC's financial abilities will be needed to meet the financial challenges in the future.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the ESC's accountability for the money it receives. If you have any questions about this report or need additional financial information contact: Mrs. Julie A. Lynch, Treasurer, East Central Ohio Educational Service Center, 834 East High Avenue, New Philadelphia, OH 44663.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,734,469
Receivables:	
Intergovernmental	319,506
Loans	18,257
Capital assets:	
Land	22,360
Depreciable capital assets, net.	1,671,334
Capital assets, net.	1,693,694
 Total assets.	 3,765,926
 Liabilities:	
Accounts payable.	4,361
Accrued wages and benefits	712,422
Pension obligation payable.	123,807
Intergovernmental payable	29,152
Long-term liabilities:	
Due within one year.	148,167
Due in more than one year.	630,771
 Total liabilities	 1,648,680
 Net Assets:	
Invested in capital assets, net of related debt.	1,171,402
Restricted for:	
Locally funded programs	39,040
Federally funded programs	34,357
Unrestricted	872,447
 Total net assets	 \$ 2,117,246

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 716,577	\$ -	\$ 326,469	\$ (390,108)
Special	1,360,275	1,445,759	45,638	131,122
Vocational	8,347	-	-	(8,347)
Other	335,052	-	-	(335,052)
Support services:				
Pupil.	2,236,458	2,401,857	46,905	212,304
Instructional staff	2,836,505	2,721,801	374,042	259,338
Board of education	17,676	-	-	(17,676)
Administration.	375,348	332,107	11,422	(31,819)
Fiscal.	249,412	-	-	(249,412)
Business.	118,956	-	-	(118,956)
Operations and maintenance	201,753	-	7,501	(194,252)
Pupil transportation.	12,416	-	-	(12,416)
Central	348,763	-	3,000	(345,763)
Interest and fiscal charges	28,186	-	-	(28,186)
Totals	<u>\$ 8,845,724</u>	<u>\$ 6,901,524</u>	<u>\$ 814,977</u>	<u>(1,129,223)</u>
General Revenues:				
Grants and entitlements not restricted				
to specific programs				1,756,698
Investment earnings				3,385
Total general revenues				<u>1,760,083</u>
Change in net assets				630,860
Net assets at beginning of year.				<u>1,486,386</u>
Net assets at end of year				<u>\$ 2,117,246</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 1,684,461	\$ 50,008	\$ 1,734,469
Receivables:			
Intergovernmental.	257,100	62,406	319,506
Interfund loans	34,360	-	34,360
Loans.	18,257	-	18,257
Total assets	\$ 1,994,178	\$ 112,414	\$ 2,106,592
Liabilities:			
Accounts payable	\$ 3,763	\$ 598	\$ 4,361
Accrued wages and benefits.	708,918	3,504	712,422
Interfund loans payable.	-	34,360	34,360
Intergovernmental payable	29,020	132	29,152
Pension obligation payable	123,316	491	123,807
Deferred revenue	119,476	27,746	147,222
Total liabilities.	984,493	66,831	1,051,324
Fund Balances:			
Restricted:			
Other purposes.	-	45,651	45,651
Unassigned (deficit).	1,009,685	(68)	1,009,617
Total fund balances	1,009,685	45,583	1,055,268
Total liabilities and fund balances	\$ 1,994,178	\$ 112,414	\$ 2,106,592

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$ 1,055,268
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,693,694
Other long-term assets, such as intergovernmental receivables, are not available to pay for current- period expenditures and therefore are deferred in the funds.		147,222
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	256,646	
Capital lease obligations	417,451	
Lease-purchase agreement	104,841	
Total	(778,938)	(778,938)
Net assets of governmental activities		\$ 2,117,246

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Tuition	\$ 2,099,752	\$ -	\$ 2,099,752
Earnings on investments	3,385	-	3,385
Contributions and donations	-	1,000	1,000
Contract services.	4,839,751	-	4,839,751
Intergovernmental - State	1,756,698	50,033	1,806,731
Intergovernmental - Federal	-	756,917	756,917
Total revenues	<u>8,699,586</u>	<u>807,950</u>	<u>9,507,536</u>
Expenditures:			
Current:			
Instruction:			
Regular.	378,062	314,268	692,330
Special	1,318,443	44,952	1,363,395
Vocational	8,347	-	8,347
Other	335,052	-	335,052
Support services:			
Pupil	2,250,765	46,685	2,297,450
Instructional staff.	2,551,811	363,043	2,914,854
Board of education	17,676	-	17,676
Administration	312,291	10,931	323,222
Fiscal	247,133	-	247,133
Business.	179,333	-	179,333
Operations and maintenance	193,220	7,388	200,608
Pupil transportation	12,416	-	12,416
Central	357,592	3,000	360,592
Debt service:			
Principal retirement.	83,189	-	83,189
Interest and fiscal charges	28,186	-	28,186
Total expenditures	<u>8,273,516</u>	<u>790,267</u>	<u>9,063,783</u>
Net change in fund balances	426,070	17,683	443,753
Fund balances at beginning of year	<u>583,615</u>	<u>27,900</u>	<u>611,515</u>
Fund balances at end of year	<u>\$ 1,009,685</u>	<u>\$ 45,583</u>	<u>\$ 1,055,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, 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

Net change in fund balances - total governmental funds \$ 443,753

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 capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$	178,497	
Current year depreciation		(120,855)	
Total			57,642

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (1,840)

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

Contract service revenue		(37,979)	
Intergovernmental		7,027	
Total			(30,952)

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

Capital leases		62,223	
Lease purchase		20,966	
Total			83,189

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 79,068

Change in net assets of governmental activities \$ 630,860

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 66,218
Receivables:	
Intergovernmental.	367,441
Total assets.	\$ 433,659
Liabilities:	
Accounts payable.	\$ 3,000
Accrued wages and benefits	9,874
Pension obligation payable	2,743
Loans payable	18,257
Intergovernmental payable	368,210
Due to students.	31,575
Total liabilities	\$ 433,659

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The East Central Ohio Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio and as defined by Section 3313.01 of the Ohio Revised Code. The ESC is a result of the August 1, 2009, merger of the Tuscarawas-Carroll-Harrison Educational Service Center and the Belmont County Educational Service Center, under the authority of the Ohio Revised Code Section 3311.057 and resolutions made by the Governing Boards.

The ESC operates under an elected seven-member Governing Board. This Board acts as the authorizing body for expenditures, policy and procedures and approves all financial activities. The ESC supplies supervisory, administrative and other needed services to participating school districts. The ESC is staffed by 98 non-certified employees and 135 certified employees to provide services to approximately 19,268 students in 15 districts throughout Tuscarawas, Carroll, Harrison and Belmont counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the ESC have been prepared in conformity with accounting principles generally accepted in the United States of America (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 ESC also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The ESC's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes general operations and student related activities of the ESC.

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's Governing Board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the ESC has no component units. The basic financial statements of the reporting entity include only those of the ESC (the primary government).

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

The following organizations are described due to their relationship to the ESC:

JOINTLY GOVERNED ORGANIZATION

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 47 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts and acts in the capacity of fiscal agent for OME-RESA.

INSURANCE PURCHASING POOLS

Workers' Compensation Group Rating Program

The ESC participates in the Ohio Association of School Business Officials (OASBO)/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP). The GRP is sponsored by OASBO and administered by CompManagement, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The ESC pays a fee to the GRP to cover the costs of administering the program.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one Board seat. OSBA, BASA, and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Harcum-Schuett Insurance Agency, Inc., 246 Sycamore Street, Columbus, Ohio 43206.

RISK SHARING POOL

Tuscarawas-Conotton Valley Local Schools Benefit Trust Health Consortium (the "Trust")

The Trust is a public entity shared risk pool consisting of one local school district and two county Educational Service Centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c) (9) of the Internal Revenue Code and provides sick, and in some cases, dental, vision and prescription drug benefits to the employees of the participating entities. Each participating entity Superintendent is appointed to an Administrative Committee, which advises the Third-Party Administrator, CoreSource Insurance, concerning aspects of the administration of the Trust.

Each entity decides which plans offered by the Trust will be extended to its employees. The ESC participates in the health care benefits only. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Benefit Services, Inc. P.O. Box 4138, Akron, Ohio 44321.

The ESC serves as fiscal agent and custodian of the Trust, but is not accountable; therefore the operations of the Trust have been excluded from the ESC's financial statements, but funds held on behalf of the Trust are included as an agency fund.

B. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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 the ESC's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

Other governmental funds of the ESC are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector. The ESC has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency funds account for various resources held for other organizations and individuals including funds held on behalf of the State Support Team to pay individuals at an office in New Philadelphia.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the ESC are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

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.

Agency funds do not report a measurement focus as they do not report operations.

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. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 ESC, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the ESC receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC 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: interest, tuition, grants and entitlements and contract services.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the 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 been reported as deferred revenue.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

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

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. Cash and Investments

To improve cash management, cash received by the ESC is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

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 shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$3,385, which includes \$548 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents.

An analysis of the ESC's investment account at fiscal year end is provided in Note 4.

F. Capital Assets

General capital assets 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 year. Donated capital assets are recorded at their fair market values as of the date received. The ESC's capitalization threshold is \$1,500. 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. The ESC does not possess infrastructure.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

All reported capital assets except land 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>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	3 - 10 years

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental column of the statement of net assets. Loans between governmental funds and agency funds are reported as “loans receivable/payable” on the financial statements.

H. Compensated Absences

The ESC reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributed to services already rendered and it is probable that the ESC will compensate the employees for the benefits through paid time off or some other means. The ESC records a liability for accumulated unused vacation time when earned for those eligible employees with more than one year 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 ESC has identified as probable of receiving payment in the future. The liability is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the ESC’s termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

I. Accrued Liabilities and Long-Term Obligations

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

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

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, compensated absences 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.

J. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the ESC Governing Board (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the ESC Governing Board 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 use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the ESC for specific purposes but do not meet the criteria to be classified as restricted nor 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 policies of the ESC Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The ESC applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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 amounts in any of the unrestricted fund balance classifications could be used.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Estimates

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

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The ESC made no interfund transfers during fiscal year 2011.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the ESC has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 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. GASB Statement No. 54 also clarifies the definitions of governmental fund types. Implementation of GASB Statement No. 54 did not have an effect on fund balance.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the ESC.

B. Deficit Fund Balance

Fund balances at June 30, 2011 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
Miscellaneous State grants	\$ 68

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the ESC into three categories.

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

Inactive deposits are public deposits that the Governing Board 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of ESC's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the ESC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all ESC deposits was \$1,348,142. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$288,198 of the ESC's bank balance of \$1,833,198 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC, and \$1,295,000 was covered by specific collateral.

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the ESC to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2011, the ESC had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$452,545</u>	<u>\$ 452,545</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the ESC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The ESC's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 452,545</u>	<u>100.00</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,348,142
Investments	<u>452,545</u>
Total	<u>\$ 1,800,687</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,734,469
Agency funds	<u>66,218</u>
Total	<u>\$ 1,800,687</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Loans between governmental funds and agency funds are reported as “loans receivable/payable” on the financial statements. The ESC had the following loans outstanding at fiscal year-end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Even start family literacy grant agency fund	<u>\$ 18,257</u>

The loans are expected to be repaid in the subsequent year as resources become available in the agency fund.

B. Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Miscellaneous federal grants nonmajor governmental fund	<u>\$ 34,360</u>

Interfund loans receivable/payable are short-term interfund loans, and are expected to be repaid in the subsequent fiscal year. The primary purpose of these interfund loans is to cover costs where revenues were not received by June 30. The interfund loans will be repaid once the anticipated revenues are received. Interfund loans receivable/payable between governmental funds are eliminated and are not reported on the government-wide statement of net assets.

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

NOTE 6 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM- the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the local school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, \$40.52 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of intergovernmental receivables, which include grants and entitlements and excess costs due at fiscal year-end school districts. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of intergovernmental receivables reported on the statement of net assets follows:

Governmental activities:	
Excess costs	\$ 257,100
Foreign language assistance	<u>62,406</u>
Total	<u>\$ 319,506</u>

Receivables have been presented on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

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

NOTE 8 - CAPITAL ASSETS

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

	Balance			Balance
	<u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 22,360	\$ -	\$ -	\$ 22,360
Total capital assets, not being depreciated	<u>22,360</u>	<u>-</u>	<u>-</u>	<u>22,360</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	94,933	-	-	94,933
Buildings and improvements	1,922,598	-	-	1,922,598
Furniture and equipment	406,646	166,647	(27,692)	545,601
Vehicles	<u>50,507</u>	<u>11,850</u>	<u>(8,000)</u>	<u>54,357</u>
Total capital assets, being depreciated	<u>2,474,684</u>	<u>178,497</u>	<u>(35,692)</u>	<u>2,617,489</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(49,840)	(4,746)	-	(54,586)
Buildings and improvements	(550,544)	(63,898)	-	(614,442)
Furniture and equipment	(243,611)	(45,657)	26,852	(262,416)
Vehicles	<u>(15,157)</u>	<u>(6,554)</u>	<u>7,000</u>	<u>(14,711)</u>
Total accumulated depreciation	<u>(859,152)</u>	<u>(120,855)</u>	<u>33,852</u>	<u>(946,155)</u>
Governmental activities capital assets, net	<u>\$ 1,637,892</u>	<u>\$ 57,642</u>	<u>\$ (1,840)</u>	<u>\$ 1,693,694</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 18,393
Special	707

Support services:

Pupil	1,406
Instructional staff	27,579
Administration	57,300
Fiscal	312
Business	15,070
Central	<u>88</u>

Total depreciation expense \$ 120,855

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

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

On April 11, 2002 the ESC entered into a lease-purchase with Banc One Leasing Corporation for financing the acquisition, renovation, rehabilitation, furnishing, equipping and otherwise improving a building for use as an administration building. On October 20, 2008, an amendment was made to restructure this lease for an additional \$29,308 to extend the period of time over which the lease is payable and to reduce the amount of annual lease payments. This amendment did not affect the amount that is capitalized in buildings and improvements.

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$1,300,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$455,000, leaving a current book value of \$845,000. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2011 fiscal year totaled \$62,223, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2011.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2012	\$ 90,409
2013	90,409
2014	90,409
2015	90,409
2016	90,410
2017	<u>45,205</u>
Total minimum lease payment	497,251
Less: amount representing interest	<u>(79,800)</u>
Present value of minimum lease payments	<u>\$ 417,451</u>

In conjunction with the lease-purchase agreement, the ESC entered into a ground-lease agreement whereby the ESC subleases the real property upon which the renovations and building improvements are being made to JP Morgan Chase Leasing Corporation. The ESC is the lessor and JP Morgan Chase Leasing Corporation is the lessee under the ground-lease agreement. The sublease commenced on April 11, 2002 and terminates on October 23, 2021, or earlier upon the termination of the lease-purchase agreement by the ESC.

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NOTE 10 - LEASE-PURCHASE AGREEMENT

During fiscal year 2005, the ESC entered into a lease-purchase with the Ohio Department of Natural Resources for the purchase of the STAR Alternative School building.

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$251,600. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$69,190, leaving a current book value of \$182,410. A corresponding liability was recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$20,966, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2011.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2012	\$ 20,966
2013	20,966
2014	20,966
2015	20,966
2016	<u>20,977</u>
Present value of minimum lease payments	<u>\$ 104,841</u>

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from Governing Board actions and State laws. Full-time certified and classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated vacation time is paid to eligible employees upon termination of employment. Certified employees who do not work 12 months are not entitled to 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 a total of 200 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 45 days. Any employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

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NOTE 12 - LONG-TERM OBLIGATIONS

During fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding			Balance Amounts Outstanding Due in	
	<u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/11</u>	<u>One Year</u>
Governmental activities:					
Compensated absences	\$ 335,714	\$ 36,199	\$ (115,267)	\$ 256,646	\$ 61,144
Capital lease obligation	479,674	-	(62,223)	417,451	66,057
Lease-purchase agreement	<u>125,807</u>	<u>-</u>	<u>(20,966)</u>	<u>104,841</u>	<u>20,966</u>
Total long-term obligations, governmental activities	<u>\$ 941,195</u>	<u>\$ 36,199</u>	<u>\$ (198,456)</u>	<u>\$ 778,938</u>	<u>\$ 148,167</u>

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

NOTE 13 - RISK MANAGEMENT

A. Comprehensive Insurance

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the ESC contracted with Westfield Insurance Company for commercial property insurance based on information provided by Valuation Engineers, Inc., with a \$500 deductible limit per year.

Professional liability is provided by the Ohio School Plan with a \$4,000,000 annual aggregate/\$2,000,000 single occurrence limit and no deductible. Driver's Education vehicles are covered by Ohio School Plan and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Bodily Injury/Property Damage liability has a \$2,000,000 per accident, \$1,000,000 Uninsured/Underinsured Motorists Bodily Injury and a \$5,000 limit per person liability for medical payment.

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

B. Workers' Compensation

For fiscal year 2011, the ESC participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - RISK MANAGEMENT - (Continued)

C. Health Care Benefits

The ESC provides life insurance and accidental death and dismemberment insurance for all full-time employees through the Unum Life Insurance Company of America, administered by Unum Provident, in the amount of \$50,000 per employee. The ESC has elected to provide health care benefits to employees and administrators through the Ohio Schools Benefit Consortium which is maintained by the Muskingum Valley ESC. The employees share the cost of the monthly premium with the board.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The ESC contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$198,237, \$184,525 and \$102,022, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The ESC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 may 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 website at www.strsoh.org, under "*Publications*".

1. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust fund, Death Benefit fund, Medicare B fund, and Health Care fund) of the system.
2. The remaining 2.19% of the 14% employer contribution rate is allocated to Health Care and Medicare B funds.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - PENSION PLANS - (Continued)

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 times 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 DC Plan and the DB 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. 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 or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$522,298, \$519,268 and \$451,465, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$18,086 made by the ESC and \$12,919 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Governing Board have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$51,438, \$23,824 and \$67,657, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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 ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$12,757, \$10,973 and \$8,418, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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. 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 may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$42,484, \$39,944 and \$34,728, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

NOTE 16 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

NOTE 17 - OTHER COMMITMENTS

The ESC utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the ESC's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
Other governmental	<u>\$ 28,737</u>

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition	\$ 2,096,627	\$ 2,099,752	\$ 2,099,752	\$ -
Earnings on investments	6,500	3,385	3,385	-
Contract services	3,949,767	4,749,114	4,749,114	-
Intergovernmental - state	1,800,215	1,756,698	1,756,698	-
Total revenues	<u>7,853,109</u>	<u>8,608,949</u>	<u>8,608,949</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	399,737	374,279	374,279	-
Special	1,326,836	1,307,087	1,307,087	-
Vocational	6,254	8,324	8,324	-
Other	321,503	298,916	298,916	-
Support services:				
Pupil	2,284,188	2,260,256	2,260,256	-
Instructional staff	2,557,069	2,572,662	2,572,662	-
Board of education	34,289	17,552	17,552	-
Administration	298,960	314,119	314,119	-
Fiscal	237,169	242,754	242,754	-
Business	216,014	178,587	178,587	-
Operations and maintenance	187,375	192,453	192,453	-
Pupil transportation	12,423	12,365	12,365	-
Central	297,480	354,999	354,999	-
Debt service:				
Principal	83,189	83,189	83,189	-
Interest and fiscal charges	28,186	28,186	28,186	-
Total expenditures	<u>8,290,672</u>	<u>8,245,728</u>	<u>8,245,728</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(437,563)</u>	<u>363,221</u>	<u>363,221</u>	<u>-</u>
Other financing sources (uses):				
Advances in	-	28,003	28,003	-
Advances (out)	-	(52,617)	(52,617)	-
Total other financing sources (uses)	<u>-</u>	<u>(24,614)</u>	<u>(24,614)</u>	<u>-</u>
Net change in fund balance	(437,563)	338,607	338,607	-
Fund balance at beginning of year	<u>1,340,854</u>	<u>1,340,854</u>	<u>1,340,854</u>	<u>-</u>
Fund balance at end of year	<u>\$ 903,291</u>	<u>\$ 1,679,461</u>	<u>\$ 1,679,461</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - BUDGETARY PROCESS

The ESC is no longer required under State statute to file budgetary information with the State Department of Education. However, the ESC Governing Board does follow the budgetary process for control purposes.

The ESC's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The ESC Governing Board adopts an annual appropriation resolution, which is the Governing Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Governing Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 338,607
Net adjustment for revenue accruals	90,637
Net adjustment for expenditure accruals	(27,788)
Net adjustment for other sources/uses	<u>24,614</u>
GAAP basis	<u>\$ 426,070</u>

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
(Passed Through Ohio Department of Education)				
Even Start State Educational Agencies	2011	84.213	\$ 138,764	\$ 157,021
Even Start State Educational Agencies	2010	84.213	38,543	29,216
<i>Total Even Start State Educational Agencies</i>			<u>177,307</u>	<u>186,237</u>
Special Education Cluster:				
Special Education - Preschool Grants Professional Development	2011	84.173	149,274	149,274
Special Education - Preschool Grants (IDEA Preschool)	2010	84.173	0	3,490
ARRA - Special Education - Preschool Grants (IDEA Preschool)	2011	84.392	79,057	79,057
<i>Total Special Education Cluster (IDEA)</i>			<u>228,331</u>	<u>231,821</u>
21st Century Community Learning Centers	2011	84.287	200,000	193,091
21st Century Community Learning Centers	2010	84.287	0	3,905
<i>Total 21st Century Community Learning Centers</i>			<u>200,000</u>	<u>196,996</u>
Foreign Language Assistance	2010	84.293	267,212	282,896
Title I Cluster:				
Title I Grants to Local Educational Agencies	2011	84.010	194,975	165,181
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	78,658	78,658
<i>Total Title I Grants to Local Educational Agencies</i>			<u>273,633</u>	<u>243,839</u>
Total U.S. Department of Education			<u>\$ 1,146,483</u>	<u>\$ 1,141,789</u>

The notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this statement.

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the East Central Ohio Educational Service Center's (the ESC's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.



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

East Central Ohio Educational Service Center
Tuscarawas County
834 East High St.
New Philadelphia, Ohio 44663

To the Board of Education:

We have audited the financial statements of the governmental activities, the major General Fund, and the aggregate remaining fund information of the East Central Ohio Educational Service Center, Tuscarawas County, Ohio, (the ESC) as of and for the year ended June 30, 2011, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated January 23, 2012. 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 ESC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the ESC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ESC'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 ESC'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 ESC'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 intend this report solely for the information and use of management, the Governing Board, federal awarding agencies and pass-through entities, and others within the ESC. 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 initial "D".

Dave Yost
Auditor of State

January 23, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

East Central Ohio Educational Service Center
Tuscarawas County
834 East High St.
New Philadelphia, Ohio 44663

To the Board of Education:

Compliance

We have audited the compliance of the East Central Ohio Educational Service Center, Tuscarawas County, Ohio (the ESC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of ESC's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the ESC's major federal programs. The ESC's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the ESC's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the ESC's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ESC's compliance with these requirements.

In our opinion, the East Central Ohio Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The ESC's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the ESC's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the ESC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We did note a certain matter not requiring inclusion in this report that we reported to the ESC's management in a separate letter dated January 23, 2012.

We intend this report solely for the information and use of management, the Governing Board, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

January 23, 2012

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title VI-B (includes ARRA) – CFDA #84.173, #84.392 Even Start – CFDA #84.213 21 st Century – CFDA #84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGASⁱ**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER

TUSCARAWAS 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