



**Mary Taylor, CPA**  
Auditor of State



**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY**

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# Mary Taylor, CPA

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## INDEPENDENT ACCOUNTANTS' REPORT

Lucas County Educational Service Center  
Lucas County  
2275 Collingwood Boulevard  
Toledo, Ohio 43620-1148

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucas County Educational Service Center, Lucas County, Ohio (the Center), as of and for the year ended June 30, 2009, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, each major fund, and the aggregate remaining fund information of the Lucas County Educational Service Center, Lucas County, Ohio, as of June 30, 2009, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 3 to the financial statements during fiscal year 2009 the Center changed its capital asset capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2010, on our consideration of the Government'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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is/ supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The budgetary comparisons for the General, Auxiliary Service, Community School Operations, and Other Grants Funds provide additional information and are not a required part of the basic financial statements. We subjected the budgetary comparisons to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

February 8, 2010

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED**

The discussion and analysis of the Lucas County Educational Service Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$335,181 which represents a 4.45% increase from 2008.
- General revenues accounted for \$3,428,193 in revenue or 12.44% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$24,124,794 or 87.56% of total revenues of \$27,552,987.
- The Center had \$27,217,806 in expenses related to governmental activities; \$24,124,794 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$3,428,193 were adequate to provide for these programs.
- The Center's major governmental funds are the general fund, the auxiliary services fund, the community school operations fund and the other grants fund. The general fund had \$16,140,770 in revenues and other financing sources and \$15,519,318 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased \$621,452 from \$2,715,268 to \$3,336,720.
- The auxiliary services fund had \$3,343,685 in revenues and \$3,449,524 in expenditures and other financing uses.
- The community school operations fund had \$2,977,604 in revenues and \$3,103,449 in expenditures and other financing uses.
- The other grants fund had \$1,602,495 in revenues and other financing sources and \$874,836 in expenditures.

**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 Center 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 Center, presenting both an aggregate view of the Center's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Center's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Center, the general fund, the auxiliary services fund, the community school operations fund and the other grants fund are by far the most significant funds, and the only governmental funds reported as major funds.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

**Reporting the Center as a Whole**

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

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" 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.

These two statements report the Center's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Center as a whole, the *financial position* of the Center 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 Center'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 Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, and food service operations.

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

***Fund Financial Statements***

Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the general fund, auxiliary services fund, community school operations fund and other grants fund.

***Governmental Funds***

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the Center'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.

***Reporting the Center's Fiduciary Responsibilities***

The Center acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the Center's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.



**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

***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.

**The Center as a Whole**

Recall that the statement of net assets provides the perspective of the Center as a whole. The Center's net assets have been restated at June 30, 2008, as shown in Note 3.B. to the basic financial statements.

The table below provides a summary of the Center's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Restated Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 9,173,670	\$ 8,802,308
Capital assets, net	<u>2,088,447</u>	<u>2,231,964</u>
Total assets	<u>11,262,117</u>	<u>11,034,272</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,896,499	2,048,552
Long-term liabilities	<u>1,490,019</u>	<u>1,445,302</u>
Total liabilities	<u>3,386,518</u>	<u>3,493,854</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	2,088,447	2,231,964
Restricted	3,112,090	2,684,084
Unrestricted	<u>2,675,062</u>	<u>2,624,370</u>
Total net assets	<u>\$ 7,875,599</u>	<u>\$ 7,540,418</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Center's assets exceeded liabilities by \$7,875,599. Of this total, \$2,675,062 is unrestricted in use.

At year-end, capital assets represented 18.54% of total assets. Capital assets include land, buildings and improvements, improvements other than buildings, and furniture, fixtures and equipment. These capital assets are used to provide services to the students and are not available for future spending.

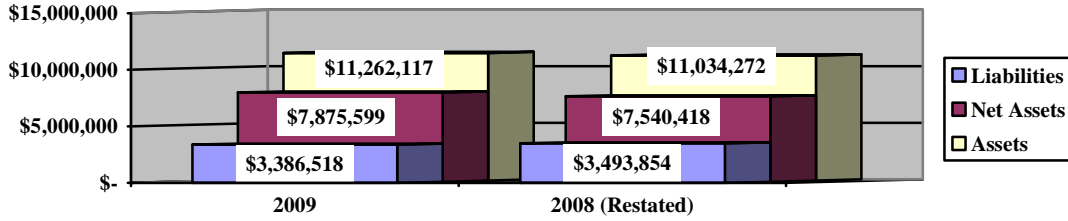
A portion of the Center's net assets, \$3,112,090, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,675,062 may be used to meet the Center's ongoing obligations to the students and creditors.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
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The graph below illustrates the Center's governmental activities assets, liabilities and net assets at June 30, 2009 and 2008.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2009 and 2008. The Center's net assets have been restated at June 30, 2008, as shown in Note 3.B. to the basic financial statements.

**Change in Net Assets**

	Governmental Activities 2009	(Restated) Governmental Activities 2008
<b><u>Revenues</u></b>		
Program Revenues:		
Charges for services and sales	\$ 17,527,231	\$ 19,283,676
Operating grants and contributions	6,597,563	5,208,807
General revenues:		
Grants and entitlements	2,846,022	2,781,146
Investment earnings	98,418	238,110
Other	483,753	709,496
Total revenues	<u>27,552,987</u>	<u>28,221,235</u>

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

	<b>Change in Net Assets</b>	
	(Restated)	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 46,019	\$ 186,326
Special	6,322,669	6,220,296
Vocational	93,354	154,175
Adult/continuing	41,495	57,002
Support services:		
Pupil	5,815,654	5,903,121
Instructional staff	5,662,468	5,581,690
Board of education	36,271	25,808
Administration	2,652,335	3,372,106
Fiscal	1,191,807	1,135,854
Business	93,672	109,582
Operations and maintenance	1,117,224	1,268,993
Pupil transportation	142,944	677,512
Central	344,407	125,728
Other non-instructional services	3,619,134	3,637,438
Food service operations	36,265	37,069
Extracurricular activities	<u>2,088</u>	<u>-</u>
Total expenses	<u>27,217,806</u>	<u>28,492,700</u>
Change in net assets	335,181	(271,465)
Net assets at beginning of year (restated)	<u>7,540,418</u>	<u>7,811,883</u>
Net assets at end of year	<u>\$ 7,875,599</u>	<u>\$ 7,540,418</u>

**Governmental Activities**

Net assets of the Center's governmental activities increased \$335,181. Total governmental expenses of \$27,217,806 were offset by program revenues of \$24,124,794, and general revenues of \$3,428,193. Program revenues supported 88.64% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from contract service and charges for services. These revenue sources represent 63.61% of total governmental revenue.

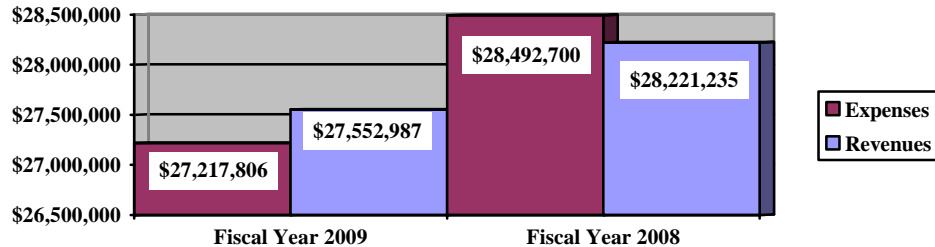
The largest expense of the Center is for support services. Support services expenses totaled \$17,056,782 or 62.67% of total governmental expenses for fiscal 2009.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**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 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 46,019	\$ 18,014	\$ 186,326	\$ 147,353
Special	6,322,669	2,102,238	6,220,296	1,354,644
Vocational	93,354	93,354	154,175	98,036
Adult/Continuing	41,495	(2,894)	57,002	(17,316)
Support services:				
Pupil	5,815,654	1,059,045	5,903,121	1,025,346
Instructional staff	5,662,468	(719,054)	5,581,690	200,166
Board of education	36,271	36,271	25,808	25,808
Administration	2,652,335	237,913	3,372,106	388,722
Fiscal	1,191,807	(125,991)	1,135,854	(130,731)
Business	93,672	93,666	109,582	106,270
Operations and maintenance	1,117,224	247,362	1,268,993	998,836
Pupil transportation	142,944	(53,087)	677,512	(380,174)
Central	344,407	(35,090)	125,728	(4,675)
Other non-instructional services	3,619,134	138,681	3,637,438	186,429
Food service operations	36,265	1,953	37,069	1,503
Extracurricular activities	2,088	631	-	-
<b>Total expenses</b>	<b><u>\$ 27,217,806</u></b>	<b><u>\$ 3,093,012</u></b>	<b><u>\$ 28,492,700</u></b>	<b><u>\$ 4,000,217</u></b>

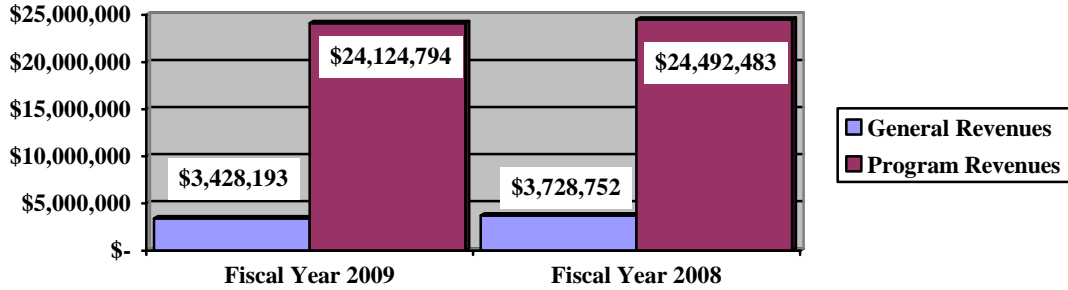
For all governmental activities, program revenue support is 88.64%. The primary support of the Center is contracted fees for services provided to other school districts.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

The graph below presents the Center's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The Center's Funds**

The Center's governmental funds reported a combined fund balance of \$6,672,728 which is higher than last year's total of \$5,654,177. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 3,336,720	\$ 2,715,268	\$ 621,452	22.89 %
Auxiliary services	271,481	377,320	(105,839)	(28.05) %
Community school operations	891,770	1,017,615	(125,845)	(12.37) %
Other grants	1,231,207	503,548	727,659	144.51 %
Other governmental	<u>941,550</u>	<u>1,040,426</u>	<u>(98,876)</u>	(9.50) %
Total	<u>\$ 6,672,728</u>	<u>\$ 5,654,177</u>	<u>\$ 1,018,551</u>	18.01 %

An analysis of the general fund revenues and expenditures is provided in the section below. The decrease in the fund balance of the other governmental funds is primarily due to the fund balance decrease of \$834,966 in the head start and preschool funds despite an increase of \$602,796 in the miscellaneous state grants special revenue fund. The decrease was a result of significant increases in transfers out to the other grants major special revenue fund.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

***General Fund***

The Center's general fund balance increased \$621,452. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Customer services	\$ 2,684,823	\$ 2,782,246	\$ (97,423)	(3.50) %
Tuition	8,701,450	8,522,387	179,063	2.10 %
Earnings on investments	98,344	237,079	(138,735)	(58.52) %
Intergovernmental	2,846,022	2,829,919	16,103	0.57 %
Other revenues	<u>499,031</u>	<u>696,465</u>	<u>(197,434)</u>	(28.35) %
<b>Total</b>	<b><u>\$ 14,829,670</u></b>	<b><u>\$ 15,068,096</u></b>	<b><u>\$ (238,426)</u></b>	<b>(1.58) %</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 5,918,523	\$ 6,087,137	\$ (168,614)	(2.77) %
Support services	9,363,042	9,793,848	(430,806)	(4.40) %
Non-instructional services	36,742	258,626	(221,884)	(85.79) %
Facilities acquisition and construction	<u>63,105</u>	<u>13,700</u>	<u>49,405</u>	360.62 %
<b>Total</b>	<b><u>\$ 15,381,412</u></b>	<b><u>\$ 16,153,311</u></b>	<b><u>\$ (771,899)</u></b>	<b>(4.78) %</b>

Earnings on investments decreased due to lower interest rates. Other revenues decreased due to the decrease in rental revenues. Non-instructional expenditures decreased because the Center paid these items out of the other grants fund. The Center paid more in facilities acquisition and construction in 2009 than 2008.

***Auxiliary Services Fund***

The auxiliary services fund had \$3,343,685 in revenues and \$3,449,524 in expenditures and other financing uses. During fiscal year 2009, the auxiliary services fund's fund balance decreased \$105,839 to \$271,481.

***Community School Operations Fund***

The community school operations fund had \$2,977,604 in revenues and \$3,103,449 in expenditures and other financing uses. During fiscal year 2009, the community school operations fund's fund balance decreased \$125,845 to \$891,770.

***Other Grants Fund***

The other grants fund had \$1,602,495 in revenues and other financing sources and \$874,836 in expenditures. During fiscal year 2009, the other grants fund's fund balance increased \$727,659 to \$1,231,207.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
UNAUDITED

**Capital Assets and Debt Administration**

*Capital Assets*

During 2009 the Center restated capital assets as described in Note 3.B. The Center decreased the capitalization threshold from \$5,000 to \$2,000. At the end of fiscal 2009, the Center had \$2,088,447 invested in land, buildings and improvements, improvements other than buildings, and furniture, fixtures and equipment. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

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

	Governmental Activities	
	2009	Restated 2008
Land	\$ 314,321	\$ 314,321
Building and improvements	1,156,824	1,191,613
Improvements other than buildings	5,648	6,069
Furniture, fixtures and equipment	611,654	719,961
Total	\$ 2,088,447	\$ 2,231,964

The overall decrease in capital assets of \$143,517 is due to depreciation expense of \$184,250 exceeding capital outlays of \$40,733 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the Center's capital assets.

*Debt Administration*

At June 30, 2009, the Center had no debt.

**Current Financial Related Activities**

The Center is financially solvent. As the preceding information shows, the Center relies heavily on contracts with local, city, and exempted village school districts in Lucas County, as well as state foundation revenue and grants. The new contracts with our local, city, and exempted school districts, and providing the fiscal and administrative role to several entities, the ESC will be able to provide the necessary funds to meet operating expenses in the future.

**Contacting the Center's Financial Management**

This financial report is designed to provide our member districts and other interested parties with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Richard Cox, Treasurer of Lucas County Educational Service Center, at 2275 Collingwood Avenue, Toledo, Ohio 43620-1148 or by e-mail at [lc\\_rac@nwoca.org](mailto:lc_rac@nwoca.org).

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 7,813,956
Receivables:	
Accounts . . . . .	43,061
Intergovernmental . . . . .	1,315,548
Accrued interest . . . . .	1,105
Capital assets:	
Land . . . . .	314,321
Depreciable capital assets, net . . . . .	1,774,126
Capital assets, net. . . . .	<u>2,088,447</u>
 Total assets. . . . .	 <u>11,262,117</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	126,160
Accrued wages and benefits . . . . .	1,383,922
Intergovernmental payable. . . . .	166,749
Pension obligation payable. . . . .	219,668
Long-term liabilities:	
Due within one year. . . . .	354,470
Due in more than one year . . . . .	1,135,549
Total liabilities . . . . .	<u>3,386,518</u>
<b>Net Assets:</b>	
Invested in capital assets . . . . .	2,088,447
Restricted for:	
Community school operations . . . . .	957,467
Locally funded programs . . . . .	1,224,920
State funded programs. . . . .	669,470
Federally funded programs . . . . .	253,771
Food service operations. . . . .	4,789
Other purposes . . . . .	1,673
Unrestricted . . . . .	<u>2,675,062</u>
Total net assets. . . . .	<u><u>\$ 7,875,599</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 46,019	\$ 8,647	\$ 19,358	\$ (18,014)
Special . . . . .	6,322,669	3,938,424	282,007	(2,102,238)
Vocational. . . . .	93,354	-	-	(93,354)
Adult/continuing . . . . .	41,495	3,001	41,388	2,894
Support services:				
Pupil. . . . .	5,815,654	3,733,296	1,023,313	(1,059,045)
Instructional staff . . . . .	5,662,468	2,281,028	4,100,494	719,054
Board of education . . . . .	36,271	-	-	(36,271)
Administration. . . . .	2,652,335	2,071,198	343,224	(237,913)
Fiscal. . . . .	1,191,807	1,100,310	217,488	125,991
Business. . . . .	93,672	4	2	(93,666)
Operations and maintenance . . . . .	1,117,224	782,029	87,833	(247,362)
Pupil transportation. . . . .	142,944	192,312	3,719	53,087
Central . . . . .	344,407	253,707	125,790	35,090
Operation of non-instructional services:				
Food service operations . . . . .	36,265	2,674	31,638	(1,953)
Other non-instructional services . . . . .	3,619,134	3,159,657	320,796	(138,681)
Extracurricular activities. . . . .	2,088	944	513	(631)
Total governmental activities . . . . .	<u>\$ 27,217,806</u>	<u>\$ 17,527,231</u>	<u>\$ 6,597,563</u>	<u>(3,093,012)</u>

**General Revenues:**

Grants and entitlements not restricted to specific programs. . . . .	2,846,022
Investment earnings . . . . .	98,418
Miscellaneous . . . . .	483,753
Total general revenues. . . . .	<u>3,428,193</u>
Change in net assets. . . . .	335,181
Net assets at beginning of year (restated) . . . . .	<u>7,540,418</u>
Net assets at end of year . . . . .	<u>\$ 7,875,599</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Auxiliary Services</u>	<u>Community School Operations</u>	<u>Other Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in pooled cash and cash equivalents . . . . .	\$ 4,341,952	\$ 652,225	\$ 771,117	\$ 1,257,793	\$ 790,869	\$ 7,813,956
Receivables:						
Accounts . . . . .	32,165	-	-	10,896	-	43,061
Intergovernmental . . . . .	511,300	-	289,290	4,150	510,808	1,315,548
Accrued interest . . . . .	1,105	-	-	-	-	1,105
Due from other funds . . . . .	23,549	-	-	-	-	23,549
Total assets . . . . .	<u>\$ 4,910,071</u>	<u>\$ 652,225</u>	<u>\$ 1,060,407</u>	<u>\$ 1,272,839</u>	<u>\$ 1,301,677</u>	<u>\$ 9,197,219</u>
<b>Liabilities:</b>						
Accounts payable . . . . .	\$ 27,318	\$ 5,107	\$ 18,532	\$ 5,061	\$ 70,142	\$ 126,160
Accrued wages and benefits . . . . .	922,547	321,455	5,657	21,693	112,570	1,383,922
Intergovernmental payable . . . . .	98,946	11,719	2,497	2,201	51,386	166,749
Compensated absences payable . . . . .	96,925	-	-	-	-	96,925
Pension obligation payable . . . . .	150,399	42,463	12,739	2,892	11,175	219,668
Due to other funds . . . . .	-	-	-	-	23,549	23,549
Deferred revenue . . . . .	277,216	-	129,212	9,785	91,305	507,518
Total liabilities . . . . .	<u>1,573,351</u>	<u>380,744</u>	<u>168,637</u>	<u>41,632</u>	<u>360,127</u>	<u>2,524,491</u>
<b>Fund Balances:</b>						
Reserved for encumbrances . . . . .	460,144	78,334	5,934	67,383	382,404	994,199
Unreserved, undesignated, reported in:						
General fund . . . . .	2,876,576	-	-	-	-	2,876,576
Special revenue funds . . . . .	-	193,147	885,836	1,163,824	559,146	2,801,953
Total fund balances . . . . .	<u>3,336,720</u>	<u>271,481</u>	<u>891,770</u>	<u>1,231,207</u>	<u>941,550</u>	<u>6,672,728</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,910,071</u>	<u>\$ 652,225</u>	<u>\$ 1,060,407</u>	<u>\$ 1,272,839</u>	<u>\$ 1,301,677</u>	<u>\$ 9,197,219</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 6,672,728
<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.		2,088,447
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Accounts receivable	\$ 8,993	
Intergovernmental receivable	497,420	
Accrued interest receivable	1,105	
Total		507,518
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.		<u>(1,393,094)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 7,875,599</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Auxiliary Services	Community School Operations	Other Grants	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
From local sources:						
Tuition . . . . .	\$ 8,701,450	\$ -	\$ -	\$ 190,797	\$ -	\$ 8,892,247
Earnings on investments . . . . .	98,344	3,199	18,063	-	-	119,606
Transportation fees . . . . .	-	-	97,762	-	-	97,762
Classroom materials and fees . . . . .	-	-	15,760	60,341	2,441	78,542
Charges for services . . . . .	2,616	-	-	-	2,674	5,290
Extracurricular . . . . .	-	-	-	3,831	-	3,831
Customer services . . . . .	2,684,823	3,330,203	2,845,164	163,693	-	9,023,883
Rentals . . . . .	392,335	-	-	12,062	-	404,397
Contributions and donations . . . . .	-	-	-	94,909	-	94,909
Other local revenues . . . . .	104,080	10,283	855	104,191	-	219,409
Intergovernmental - State . . . . .	2,795,625	-	-	36,618	3,497,952	6,330,195
Intergovernmental - Federal . . . . .	50,397	-	-	-	2,774,695	2,825,092
Total revenues . . . . .	<u>14,829,670</u>	<u>3,343,685</u>	<u>2,977,604</u>	<u>666,442</u>	<u>6,277,762</u>	<u>28,095,163</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	33,138	-	-	16,113	13,626	62,877
Special . . . . .	5,793,742	193,816	-	62,201	281,672	6,331,431
Vocational . . . . .	91,643	-	-	-	-	91,643
Adult/continuing . . . . .	-	-	-	2,340	36,945	39,285
Support services:						
Pupil . . . . .	4,744,717	62,798	-	59,986	943,313	5,810,814
Instructional staff . . . . .	1,081,590	-	766,718	231,519	3,377,628	5,457,455
Board of education . . . . .	36,246	-	-	-	-	36,246
Administration . . . . .	1,842,258	2,127	298,175	252,853	249,505	2,644,918
Fiscal . . . . .	553,410	-	414,574	-	200,988	1,168,972
Business . . . . .	93,386	-	-	9	-	93,395
Operations and maintenance . . . . .	909,524	-	25,164	30,216	65,806	1,030,710
Pupil transportation . . . . .	18,092	-	115,484	9,368	-	142,944
Central . . . . .	83,819	-	154,553	5,123	98,748	342,243
Operation of non-instructional services:						
Food service operations . . . . .	-	-	-	-	36,265	36,265
Other non-instructional services . . . . .	36,742	3,190,026	-	165,156	254,391	3,646,315
Extracurricular activities . . . . .	-	-	-	1,910	-	1,910
Facilities acquisition and construction . . . . .	63,105	-	38,042	38,042	-	139,189
Total expenditures . . . . .	<u>15,381,412</u>	<u>3,448,767</u>	<u>1,812,710</u>	<u>874,836</u>	<u>5,558,887</u>	<u>27,076,612</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(551,742)</u>	<u>(105,082)</u>	<u>1,164,894</u>	<u>(208,394)</u>	<u>718,875</u>	<u>1,018,551</u>
<b>Other financing sources (uses):</b>						
Transfers in . . . . .	1,311,100	-	-	936,053	26,913	2,274,066
Transfers (out) . . . . .	(137,906)	(757)	(1,290,739)	-	(844,664)	(2,274,066)
Total other financing sources (uses) . . . . .	<u>1,173,194</u>	<u>(757)</u>	<u>(1,290,739)</u>	<u>936,053</u>	<u>(817,751)</u>	<u>-</u>
Net change in fund balances . . . . .	621,452	(105,839)	(125,845)	727,659	(98,876)	1,018,551
<b>Fund balances at beginning of year . . . . .</b>	<u>2,715,268</u>	<u>377,320</u>	<u>1,017,615</u>	<u>503,548</u>	<u>1,040,426</u>	<u>5,654,177</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 3,336,720</u>	<u>\$ 271,481</u>	<u>\$ 891,770</u>	<u>\$ 1,231,207</u>	<u>\$ 941,550</u>	<u>\$ 6,672,728</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS 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, 2009

**Net change in fund balances - total governmental funds** \$ 1,018,551

*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 costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Capital asset additions	40,733	
Current year depreciation	(184,250)	
Total		(143,517)

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

Tuition revenue	3,358	
Earnings on investments	74	
Transportation fees	(523)	
Classroom materials and fees	161	
Rental income	(1,595)	
Customer services revenue	(588,691)	
Other local revenues	9,698	
Intergovernmental revenue	35,342	
Total		(542,176)

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.

2,323

**Change in net assets of governmental activities** \$ 335,181

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2009

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	14,355
Receivables:		
Intergovernmental . . . . .		153,331
Total assets . . . . .	\$	167,686
 <b>Liabilities:</b>		
Accounts payable . . . . .	\$	2,236
Accrued wages and benefits . . . . .		17,246
Intergovernmental payable. . . . .		84,365
Compensated absences payable . . . . .		62,996
Pension obligation payable. . . . .		843
Total liabilities . . . . .	\$	167,686

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER**

The Lucas County Educational Service Center (the "Center") is located in Toledo, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Anthony Wayne, Ottawa Hills, Springfield, and Washington Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Maumee, Oregon, and Sylvania City School Districts. The Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Center operates under a locally elected Board of Education consisting of five members elected at-large for staggered four year terms. The Center has 19 administrators, 129 classified employees and 250 certified employees who provide services to the local, exempted village and city school districts.

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

The basic financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities, provided they do not conflict with or contradict GASB pronouncements. The Center'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, component units and other organizations that are included to ensure that the basic financial statements of the Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, contract services, and student related programs of the Center.

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

As of June 30, 2009, the Center served as fiscal agent for charter schools established under Chapter 3314 of the Ohio Revised Code. These charter schools are not considered a part of the Center.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Penta Career Center (PCC)

The PCC is a jointly governed organization established by the Ohio Revised Code (ORC) to provide vocational and special needs to students. The PCC accepts non-tuition students from the Center as a member school. The PCC is operated under the direction of a Board consisting of eleven members, each appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Centers, one from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. The Center does not retain an ongoing financial interest or responsibility in the PCC. Financial information can be obtained from the PCC, Carrie Herringshaw, who serves as Treasurer, at 9301 Buck Road, Perrysburg, Ohio, 43551-4594.

Northwest Ohio Computer Association (NWOCA)

NWOCA is an association of thirty-seven educational entities, primarily school districts, located in Defiance, Fulton, Henry, Lucas, Williams and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

Northwest Ohio Educational Council (NWOEC)

The NWOEC was established to foster cooperation among various school districts within Ohio that participate in the Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program). NWOEC is organized under 167.01 of the Ohio Revised Code as a regional council of governments pursuant to a written agreement entered into by its members and by policies adopted by the member school districts. The nine-member Insurance Committee conducts the business and affairs of the NWOEC Program.

*PUBLIC ENTITY RISK POOL*

Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program)

The Center participates in the Northwest Ohio Educational Council Self-Insurance Pool Program (NWOEC Program) which is an insurance purchasing pool. The NWOEC Program is created and organized pursuant to and as authorized by 2744.081 of the Ohio Revised Code. The NWOEC Program is a non-profit organization to its members and an instrumentality for each member the purpose of enabling members of the NWOEC to provide for a formalized, joint insurance program to maintain adequate insurance protection, risk management programs, and other administrative services. The NWOEC Program's business and affairs are conducted by a nine member Insurance Committee created by the Governing Board of the NWOEC.



**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The NWOEC Program has an agreement with Marsh USA for administrative services and Cambridge Integrated Services, Inc. for claims processing. The Center paid \$46,928 for these services to the NWOEC Program in fiscal year 2009. To obtain financial information write to Frank McKain, Marsh USA, One Seagate Center, Suite 1860, Toledo, Ohio 43604.

Separately issued financial statements for the NWOEC Program can be obtained by writing to Paul Brotski, Treasurer of Maumee City School District, 716 Askin Street, Maumee, Ohio 43537.

**B. Fund Accounting**

The Center uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions or activities. 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 are the Center's major governmental funds:

*General fund* - The general fund is used to account for all financial resources except those required to be accounted for 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.

*Auxiliary services fund* - This fund accounts for funds that provide service and materials to pupils attending parochial schools.

*Community school operations fund* - This fund accounts for financing, accounting and fiscal activities of community schools that the Center employees perform.

*Other grants fund* - This fund accounts for various grants and programs offered by the Center.

Other governmental funds of the Center are used to account for all financial resources whose use is restricted to a particular purpose.

*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. The Center's only fiduciary fund type is agency funds.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Agency funds are custodial in nature (assets and liabilities) and do not involve measurement of results of operations. The Center's agency funds account for various resources held for other organizations.

**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 Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements include only governmental-type activities.

The statement of net assets presents the financial condition of the governmental activities of the Center at fiscal year end. 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 Center. 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 Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

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

*Fund Financial Statements* - During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the Center. 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.

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 reconciliations 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.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**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 Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Center 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 fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, tuition, customer services, transportation fees, grants, student fees and rentals.

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.

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.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**E. Cash and Investments**

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center'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 2009, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio).

The Center has invested funds in STAR Ohio during fiscal year 2009. 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, 2009.

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 Board. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$98,344, which includes \$30,284 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 Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**F. Capital Assets**

General capital assets are those assets related to activities reported in the governmental funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During 2009 the Center changed its capitalization policy of not capitalizing assets with a cost of less than \$5,000 to \$2,000 and a useful life of less than one year. 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. Interest incurred during the construction of capital assets is also capitalized. The Center does not possess infrastructure.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	40 years
Improvements Other than Buildings	20 years
Furniture and Equipment	5 - 15 years

**G. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” These amounts are eliminated in the governmental type activities columns of the statement of net assets.

**H. Compensated Absences**

Compensated absences of the Center consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributed to services already rendered and are not contingent on specific event that is outside the control of the Center and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least 10 years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. Compensated absences will be paid from the fund from which the employee’s salaries are paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

In general, governmental fund payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and 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 Reserves**

The Center reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances in the governmental funds.

**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 adopted by the Center or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

The Center 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**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 Center and that are either unusual in nature or infrequent in occurrence. The Center did not have any transactions that were considered a special item or extraordinary during year 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the Center has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Center.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Center.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Center.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Center.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Prior Period Adjustment**

A restatement of capital assets and net assets of governmental activities was required to reflect the new appraisal of the Center's capital assets which was consolidated with the State EIS software. In addition, the Center changed its capitalization policy to capitalize assets over \$2,000 rather than \$5,000. See Note 7 for detail on the restatement of the governmental capital assets. Net assets as previously reported at June 30, 2008, decreased \$1,217,075 from \$8,757,493 to \$7,540,418.

**C. Deficit Fund Balance**

Fund balance at June 30, 2009 included the following individual fund deficit:

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Management information systems	\$ 2,964

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Center 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 Center 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 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 are to 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;



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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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;
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 the Center'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 Center, 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, 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, 2009, the carrying amount of all the Center deposits was \$5,604,194. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$3,475,049 of the Center's bank balance of \$6,581,726 was exposed to custodial risk as discussed below, while \$3,106,677 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Center'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 Center.

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

The Center 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 Center to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2009, the Center had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ <u>2,224,117</u>	\$ <u>2,224,117</u>

*Interest Rate Risk:* Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Center's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The Center 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 Center at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ <u>2,224,117</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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,604,194
Investments	<u>2,224,117</u>
Total	<u>\$ 7,828,311</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,813,956
Agency fund	<u>14,355</u>
Total	<u>\$ 7,828,311</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers to general fund from:</u>	
Auxiliary services	\$ 757
Community school operations	1,290,739
Nonmajor governmental funds	19,604
<u>Transfers to other grants fund from:</u>	
General fund	110,993
Nonmajor governmental funds	825,060
<u>Transfers to nonmajor governmental funds from:</u>	
General fund	<u>26,913</u>
Total transfers	<u>\$ 2,274,066</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**B.** Interfund balances at June 30, 2009 as reported on the fund financial statements consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 23,549

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

The primary purpose of the due to/from other funds is to cover the negative cash balance at fiscal year end in the improving teacher quality nonmajor special revenue fund. The interfund balance will be repaid once the anticipated revenues are received.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2009 consisted of accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. 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 receivables reported on the statement of net assets follows:

**Governmental activities:**

Accounts	\$ 43,061
Intergovernmental	1,315,548
Accrued interest	<u>1,105</u>
Total	<u>\$ 1,359,714</u>

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

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**NOTE 7 - CAPITAL ASSETS**

A. Capital assets were restated at June 30, 2008 as described in Note 3.B.

	Balance		Restated
	<u>06/30/08</u>	<u>Adjustment</u>	<u>06/30/08</u>
<b>Governmental activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ -	\$ 314,321	\$ 314,321
Total capital assets, not being depreciated	<u>-</u>	<u>314,321</u>	<u>314,321</u>
<i>Capital assets, being depreciated:</i>			
Buildings and improvements	3,247,353	(1,855,791)	1,391,562
Improvements other than buildings	93,453	(85,032)	8,421
Furniture, fixtures and equipment	1,083,476	667,638	1,751,114
Vehicles	19,385	(19,385)	-
Total capital assets, being depreciated	<u>4,443,667</u>	<u>(1,292,570)</u>	<u>3,151,097</u>
<i>Less: accumulated depreciation:</i>			
Buildings and improvements	(445,512)	245,563	(199,949)
Improvements other than buildings	(33,193)	30,841	(2,352)
Furniture, fixtures and equipment	(496,538)	(534,615)	(1,031,153)
Vehicles	(19,385)	19,385	-
Total accumulated depreciation	<u>(994,628)</u>	<u>(238,826)</u>	<u>(1,233,454)</u>
Governmental activities capital assets, net	<u>\$ 3,449,039</u>	<u>\$ (1,217,075)</u>	<u>\$ 2,231,964</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Restated Balance <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 314,321	\$ -	\$ -	\$ 314,321
Total capital assets, not being depreciated	<u>314,321</u>	<u>-</u>	<u>-</u>	<u>314,321</u>
 <i>Capital assets, being depreciated:</i>				
Buildings and improvements	1,391,562	-	-	1,391,562
Improvements other than buildings	8,421	-	-	8,421
Furniture, fixtures, and equipment	<u>1,751,114</u>	<u>40,733</u>	<u>(2,996)</u>	<u>1,788,851</u>
Total capital assets, being depreciated	<u>3,151,097</u>	<u>40,733</u>	<u>(2,996)</u>	<u>3,188,834</u>
 <i>Less: accumulated depreciation</i>				
Buildings and improvements	(199,949)	(34,789)	-	(234,738)
Improvements other than buildings	(2,352)	(421)	-	(2,773)
Furniture, fixtures, and equipment	<u>(1,031,153)</u>	<u>(149,040)</u>	<u>2,996</u>	<u>(1,177,197)</u>
Total accumulated depreciation	<u>(1,233,454)</u>	<u>(184,250)</u>	<u>2,996</u>	<u>(1,414,708)</u>
Governmental activities capital assets, net	<u>\$ 2,231,964</u>	<u>\$ (143,517)</u>	<u>\$ -</u>	<u>\$ 2,088,447</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,085
Special	13,322
Vocational	270
Adult/continuing	2,210

Support services:

Pupil	14,254
Instructional staff	108,705
Board of Education	25
Administration	9,103
Fiscal	3,521
Business	277
Operations and maintenance	20,361
Central	5,810
Operation of non-instructional services	5,129
Extracurricular	<u>178</u>
Total depreciation expense	<u>\$ 184,250</u>

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**NOTE 8 - LONG-TERM OBLIGATIONS**

During fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Compensated absences	\$ 1,445,302	\$ 352,811	\$ (308,094)	\$ 1,490,019	\$ 354,470
Total long-term obligations, governmental activities	<u>\$ 1,445,302</u>	<u>\$ 352,811</u>	<u>\$ (308,094)</u>	<u>\$ 1,490,019</u>	<u>\$ 354,470</u>

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

**NOTE 9 - RISK MANAGEMENT**

**Comprehensive**

The Center does not have a “self-insurance” fund with formalized risk management programs.

The Center 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. The Center is a member of the NWOEC Program (see Note 2.A. for detail). The NWOEC Program is a public entity risk pool established pursuant to ORC 9.833 in order to provide the following coverage:

Property (\$1,000 deductible)	\$1,000,000
Excess property	201,000,000
Flood & earthquake	1,000,000
Auto liability/physical damage (\$1,000 deductible)	1,000,000
Auto liability (\$5,000 per person medical payments)	1,000,000
Crime	500,000
Public employee dishonesty	500,000
Boiler and machinery (\$2,500 deductible)	50,000,000
General liability:	
Per occurrence	1,000,000
Aggregate per district	3,000,000
Educator’s legal liability (\$5,000 deductible)	1,000,000
Employee benefit liability:	
Per occurrence	1,000,000
Aggregate per district	3,000,000
Umbrella coverage:	
Per occurrence	10,000,000
Aggregate per district	10,000,000

Settled claims have not exceeded this coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability 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](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. 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 Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$322,331, \$351,306 and \$344,136, respectively; 92.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Center 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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary 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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Center 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 Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,727,538, \$1,718,843 and \$1,502,796, respectively; 92.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$3,650 made by the Center and \$11,617 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, 2009, certain members of the Board of Education have elected Social Security. The Center's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Center 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$213,211, \$225,957 and \$174,009, respectively; 92.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$26,595, \$25,312 and \$23,401, respectively; 92.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Center 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](http://www.strsoh.org) 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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$132,888, \$132,219 and \$115,600, respectively; 92.90 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 12 - 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, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC. In fiscal year 2008, the State Board of Education reduced ESC funding by approximately 9.6%.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 12 - STATE FUNDING - (Continued)**

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their state foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment. The local school districts to which the ESC provides services have agreed to pay \$6.50 per pupil to provide additional funding for services provided by the ESC.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Center 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 Center. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the Center.

**B. Litigation**

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

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS 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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Tuition . . . . .	\$ 8,513,295	\$ 8,866,003	\$ 8,719,438	\$ (146,565)
Earnings on investments . . . . .	241,435	241,435	98,344	(143,091)
Transportation fees . . . . .	256	256	-	(256)
Charges for services . . . . .	3,028	3,028	2,616	(412)
Customer services . . . . .	2,775,359	2,775,358	2,744,139	(31,219)
Rentals . . . . .	468,247	483,925	388,810	(95,115)
Other local revenues . . . . .	61,104	70,634	95,849	25,215
Intergovernmental - State . . . . .	2,835,224	2,438,278	2,795,625	357,347
Intergovernmental - Federal . . . . .	-	-	50,397	50,397
Total revenues . . . . .	<u>14,897,948</u>	<u>14,878,917</u>	<u>14,895,218</u>	<u>16,301</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	61,858	61,217	34,808	26,409
Special . . . . .	6,119,601	6,056,198	5,943,049	113,149
Vocational . . . . .	93,742	92,771	91,764	1,007
Support services:				
Pupil . . . . .	4,893,490	4,842,791	4,726,512	116,279
Instructional staff . . . . .	1,168,394	1,156,289	1,113,864	42,425
Board of education . . . . .	42,511	42,071	36,182	5,889
Administration . . . . .	2,004,432	1,983,665	1,870,650	113,015
Fiscal . . . . .	592,357	586,220	554,305	31,915
Business . . . . .	120,593	119,344	102,163	17,181
Operations and maintenance . . . . .	1,172,704	1,160,553	984,749	175,804
Pupil transportation . . . . .	6,306	6,241	4,262	1,979
Central . . . . .	107,661	106,546	104,602	1,944
Operation of non-instructional services . . . . .	81,051	80,211	48,971	31,240
Facilities acquisition and construction . . . . .	94,024	93,050	495,125	(402,075)
Total expenditures . . . . .	<u>16,558,724</u>	<u>16,387,167</u>	<u>16,111,006</u>	<u>276,161</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,660,776)</u>	<u>(1,508,250)</u>	<u>(1,215,788)</u>	<u>292,462</u>
<b>Other financing sources (uses):</b>				
Sale of assets . . . . .	-	16,057	17,057	1,000
Transfers in . . . . .	-	787,129	1,311,100	523,971
Transfers (out) . . . . .	(1,151,143)	(1,139,217)	(137,906)	1,001,311
Reduction of prior year expenditures . . . . .	41,297	41,297	61,069	19,772
Total other financing sources (uses) . . . . .	<u>(1,109,846)</u>	<u>(294,734)</u>	<u>1,251,320</u>	<u>1,546,054</u>
Net change in fund balance . . . . .	(2,770,622)	(1,802,984)	35,532	1,838,516
<b>Fund balance at beginning of year . . . . .</b>	<b>3,682,925</b>	<b>3,682,925</b>	<b>3,682,925</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>124,355</b>	<b>124,355</b>	<b>124,355</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 1,036,658</u></b>	<b><u>\$ 2,004,296</u></b>	<b><u>\$ 3,842,812</u></b>	<b><u>\$ 1,838,516</u></b>

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
AUXILIARY SERVICES FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 512,957	\$ 512,957	\$ 3,199	\$ (509,758)
Customer services . . . . .	3,620,069	4,212,266	3,423,849	(788,417)
Other local revenues. . . . .	-	-	25,000	25,000
Total revenues. . . . .	<u>4,133,026</u>	<u>4,725,223</u>	<u>3,452,048</u>	<u>(1,273,175)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	168,593	164,189	189,543	(25,354)
Support services:				
Pupil. . . . .	40,383	39,328	62,932	(23,604)
Administration. . . . .	5,274	5,136	2,127	3,009
Operation of non-instructional services . . .	3,354,475	3,266,852	3,272,372	(5,520)
Facilities acquisition and construction. . . .	20,431	19,897	19,897	-
Total expenditures . . . . .	<u>3,589,156</u>	<u>3,495,402</u>	<u>3,546,871</u>	<u>(51,469)</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>543,870</u>	<u>1,229,821</u>	<u>(94,823)</u>	<u>(1,324,644)</u>
<b>Other financing (uses):</b>				
Transfers (out) . . . . .	(844)	(822)	(757)	65
Total other financing (uses) . . . . .	<u>(844)</u>	<u>(822)</u>	<u>(757)</u>	<u>65</u>
Net change in fund balance . . . . .	543,026	1,228,999	(95,580)	(1,324,579)
<b>Fund balance at beginning of year . . . . .</b>	592,951	592,951	592,951	-
<b>Prior year encumbrances appropriated . . . . .</b>	71,413	71,413	71,413	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,207,390</u>	<u>\$ 1,893,363</u>	<u>\$ 568,784</u>	<u>\$ (1,324,579)</u>

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
COMMUNITY SCHOOL OPERATIONS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Earnings on investments. . . . .	\$ 6,000	\$ 6,000	\$ 18,063	\$ 12,063
Transportation fees . . . . .	53,000	53,000	156,627	103,627
Classroom materials and fees . . . . .	9,640	9,640	15,760	6,120
Customer services . . . . .	2,741,050	2,782,706	2,864,360	81,654
Other local revenues. . . . .	1,600	1,600	2,013	413
<b>Total revenues. . . . .</b>	<u>2,811,290</u>	<u>2,852,946</u>	<u>3,056,823</u>	<u>203,877</u>
<b>Expenditures:</b>				
Current:				
Support services:				
Instructional staff . . . . .	533,180	810,947	770,761	40,186
Administration. . . . .	216,339	329,043	300,720	28,323
Fiscal . . . . .	288,836	439,308	416,164	23,144
Operations and maintenance. . . . .	21,616	32,877	29,181	3,696
Pupil transportation . . . . .	97,474	148,254	144,216	4,038
Central. . . . .	101,741	154,745	154,553	192
Facilities acquisition and construction. . . . .	18,214	27,703	40,949	(13,246)
<b>Total expenditures . . . . .</b>	<u>1,277,400</u>	<u>1,942,877</u>	<u>1,856,544</u>	<u>86,333</u>
Excess of revenues over expenditures. . . . .	<u>1,533,890</u>	<u>910,069</u>	<u>1,200,279</u>	<u>290,210</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(857,600)	(1,304,378)	(1,290,739)	13,639
Reduction of prior year expenditures. . . . .	-	-	501	501
<b>Total other financing sources (uses) . . . . .</b>	<u>(857,600)</u>	<u>(1,304,378)</u>	<u>(1,290,238)</u>	<u>14,140</u>
Net change in fund balance . . . . .	676,290	(394,309)	(89,959)	304,350
<b>Fund balance at beginning of year . . . . .</b>	765,799	765,799	765,799	-
<b>Prior year encumbrances appropriated . . . . .</b>	89,231	89,231	89,231	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,531,320</u>	<u>\$ 460,721</u>	<u>\$ 765,071</u>	<u>\$ 304,350</u>

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
OTHER GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Tuition . . . . .	\$ 236,923	\$ 236,923	\$ 191,919	\$ (45,004)
Classroom materials and fees . . . . .	43,437	43,437	60,341	16,904
Extracurricular . . . . .	4,000	4,000	3,831	(169)
Rentals . . . . .	5,658	5,658	10,350	4,692
Customer services . . . . .	124,700	124,700	163,693	38,993
Contributions and donations . . . . .	60,050	76,450	94,909	18,459
Other local revenues . . . . .	115,502	174,203	118,949	(55,254)
Intergovernmental - State . . . . .	21,105	21,105	36,618	15,513
Total revenues . . . . .	<u>611,375</u>	<u>686,476</u>	<u>680,610</u>	<u>(5,866)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,569	16,206	15,396	810
Special . . . . .	27,360	67,504	58,776	8,728
Adult/continuing . . . . .	950	2,344	2,340	4
Support services:				
Pupil . . . . .	28,222	69,631	67,316	2,315
Instructional staff . . . . .	493,322	1,225,064	294,342	930,722
Administration . . . . .	118,054	291,266	257,567	33,699
Business . . . . .	-	-	9	(9)
Operations and maintenance . . . . .	10,232	25,244	30,427	(5,183)
Pupil transportation . . . . .	5,998	14,799	10,748	4,051
Central . . . . .	2,279	5,623	5,123	500
Operation of non-instructional services . . . . .	74,857	184,689	164,186	20,503
Extracurricular activities . . . . .	774	1,910	1,910	-
Facilities acquisition and construction . . . . .	19,860	49,000	38,042	10,958
Total expenditures . . . . .	<u>788,477</u>	<u>1,953,280</u>	<u>946,182</u>	<u>1,007,098</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(177,102)</u>	<u>(1,266,804)</u>	<u>(265,572)</u>	<u>1,001,232</u>
<b>Other financing sources:</b>				
Transfers in . . . . .	-	762,058	936,053	173,995
Reduction of prior year expenditures . . . . .	882	882	3,669	2,787
Total other financing sources . . . . .	<u>882</u>	<u>762,940</u>	<u>939,722</u>	<u>176,782</u>
Net change in fund balance . . . . .	(176,220)	(503,864)	674,150	1,178,014
<b>Fund balance at beginning of year . . . . .</b>	491,978	491,978	491,978	-
<b>Prior year encumbrances appropriated . . . . .</b>	21,558	21,558	21,558	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 337,316</u>	<u>\$ 9,672</u>	<u>\$ 1,187,686</u>	<u>\$ 1,178,014</u>

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
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**BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - BUDGETARY PROCESS**

The Center is not required under State statute to file budgetary information with the State Department of Education. However, the Center's Board does follow the budgetary process for control purposes.

The Center's 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 Board.

The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the 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 Board during the fiscal year.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedules of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the general fund, auxiliary services fund, community school operations fund and other grants fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).



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BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund and major special revenue funds:

	<u>General</u>	<u>Auxiliary Services</u>	<u>Community Schools Operations</u>	<u>Other Grants</u>
Budget basis	\$ 35,532	\$ (95,580)	\$ (89,959)	\$ 674,150
Net adjustment for revenue accruals	(65,548)	(108,363)	(79,219)	(14,168)
Net adjustment for expenditure accruals	206,905	14,663	37,788	1,239
Net adjustment for other sources/(uses)	(78,126)	-	(501)	(3,669)
Adjustment for encumbrances	<u>522,689</u>	<u>83,441</u>	<u>6,046</u>	<u>70,107</u>
GAAP basis	<u>\$ 621,452</u>	<u>\$ (105,839)</u>	<u>\$ (125,845)</u>	<u>\$ 727,659</u>

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>FEDERAL GRANTOR/ Pass Through Grantor</b>	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$ 7,043	\$ 7,043
National School Lunch Program	10.555	18,887	18,887
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>25,930</b>	<b>25,930</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
State and Community Highway Safety	20.600	<b>81,454</b>	<b>56,156</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
Career and Technical Education_Basic Grants to State	84.048	5,251	5,388
Career and Technical Education_National Programs	84.051	3,184	801
<u>Special Education Cluster:</u>			
Special Education_Grants to States (IDEA, Part B)	84.027	1,677,512	1,371,728
Special Education_Preschool Grants (IDEA, Part B)			
Early Childhood Special Education	84.173	69,468	67,334
<i>Total Special Education Cluster</i>		<u>1,746,980</u>	<u>1,439,062</u>
Special Education_State Personnel Development (IDEA, Part D)	84.323	137,681	122,118
Safe and Drug Free Schools and Communities_State Grants	84.186	124,847	83,058
Twenty - First Century Community Learning Centers (Title IV, Part B)	84.287	-	6
Improving Teacher Quality State Grants (Title II, Part A)	84.367	194,884	171,232
Tech-Prep Education	84.243	(18,101)	5,082
JAVITIS Gifted Grant	84.206	3,000	-
School Improvement Grants	84.377	8,000	8,000
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>2,205,726</b>	<b>1,834,747</b>
<b>TOTAL FEDERAL AWARDS RECEIPTS AND EXPENDITURES</b>		<b>\$ 2,313,110</b>	<b>\$ 1,916,833</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Lucas County Educational Service Center (the Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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# Mary Taylor, CPA

Auditor of State

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

Lucas County Educational Service Center  
Lucas County  
2275 Collingwood Boulevard  
Toledo, Ohio 43620-1148

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lucas County Educational Service Center, Lucas County, (the Center) as of and for the year ended June 30, 2009, which collectively comprise the Center's basic financial statements and have issued our report thereon dated February 8, 2010, wherein we noted the Center changed its capital asset capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Center's internal control will not prevent or detect a material financial statement misstatement.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 8, 2010



# Mary Taylor, CPA

Auditor of State

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

Lucas County Educational Service Center  
Lucas County  
2275 Collingwood Boulevard  
Toledo, Ohio 43620-1148

To the Governing Board:

### Compliance

We have audited the compliance of Lucas County Educational Service Center, Lucas County (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal programs. The Center'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 Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 Center's compliance with those 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 Center's compliance with those requirements.

In our opinion, the Lucas County Educational Service Center, Lucas County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

### **Internal Control Over Compliance**

The Center'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 Center's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that the Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

February 8, 2010



**LUCAS COUNTY EDUCATIONAL SERVICE CENTER  
LUCAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA # 84.027 and 84.173
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





Mary Taylor, CPA  
Auditor of State

EDUCATIONAL SERVICE CENTER

LUCAS 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 16, 2010