



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

March 1, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Reports completed prior to that date contain the signature of my predecessor.

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DAVE YOST
Auditor of State

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**LICKING COUNTY EDUCATIONAL SERVICE CENTER
LICKING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Balances Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	16
Notes to the Basic Financial Statements	17
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	37

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Education Service Center, Licking County, Ohio, (the Center), as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Educational Service Center, Licking County, Ohio, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2010, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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Mary Taylor, CPA
Auditor of State

December 20, 2010

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Licking County Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

The discussion and analysis of the Licking County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2010 are as follows:

- Net assets of governmental activities decreased \$418,199.
- General revenues accounted for \$562,095 in revenue or 5 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,291,110, 95 percent of total revenues of \$10,853,205.
- Total assets of governmental activities decreased \$263,752 or 7 percent. The primary items that impacted the change were a decrease in cash and cash equivalents of \$60,130 and a decrease in intergovernmental receivables in the amount of \$186,434. The primary decrease in cash was due to an overall increase in expenses in fiscal year 2010. The reason for the decrease in intergovernmental receivables was due mainly to the decrease in special program amounts due from local school districts at fiscal year end.
- Total liabilities of governmental activities increased \$154,447 or 11 percent. The increase was due to an increase in accrued wages and benefits in the amount of \$103,603 and an increase in intergovernmental payables in the amount of \$24,212. These increases were due mainly to the increase in salaries of 1.5 percent and the addition of 16 new positions.
- The Educational Service Center had \$11,271,404 in expenses related to governmental activities; only \$10,291,110 of these expenses was offset by program specific charges for services and grants and contributions.
- The Educational Service Center's major fund is the General Fund. The General Fund had \$9,822,831 in revenues and \$10,067,473 in expenditures, and \$19,134 in other financing sources. The General Fund's balance decreased \$225,508.

Using this Annual Financial Report

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

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

Licking County Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the Educational Service Center as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for School Districts, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

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

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

The Educational Service Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2010 compared to 2009.

Licking County Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 1
Net Assets

	Governmental Activities		
	2010	2009	Change
Assets			
Current and Other Assets	\$3,312,665	\$3,559,250	(\$246,585)
Capital Assets	101,039	118,206	(17,167)
Total Assets	3,413,704	3,677,456	(263,752)
Liabilities			
Long-Term Liabilities	344,516	328,327	16,189
Other Liabilities	1,249,396	1,111,138	138,258
Total Liabilities	1,593,912	1,439,465	154,447
Net Assets			
Invested in Capital Assets, Net of Debt	64,838	81,218	(16,380)
Restricted	120,887	93,070	27,817
Unrestricted	1,634,067	2,063,703	(429,636)
Total Net Assets	\$1,819,792	\$2,237,991	(\$418,199)

Total assets decreased \$263,752. The majority of the decrease was due to a decrease in intergovernmental receivables in the amount of \$186,434 and a decrease in cash and cash equivalents in the amount of \$60,130. The decrease in intergovernmental receivables is due to a decrease in special program amounts due from local school districts at fiscal year end in the amount of \$296,351 which were offset by an increase in grants receivable of \$98,878 and an increase in foundation adjustments in the amount of \$12,745. The decrease in cash and cash equivalents was due mainly to an overall increase in expenses due to additional positions and salary increases.

Total liabilities increased \$154,447. This increase was primarily due to an increase in accrued wages and benefits in the amount of \$103,603 and an increase in intergovernmental payable in the amount of \$24,212. These increases are primarily the result of a 1.5 percent increase in salaries for fiscal year 2010 and the addition of 16 new positions in the areas of special instruction, support services pupil instruction, and instructional staff. In addition during fiscal year 2010, the workers' comp rate increased from 0.764 percent in fiscal year 2009 to 0.886 percent in fiscal year 2010. The Educational Service Center also entered into a new capital lease agreement with MT Business Technologies, Inc. in the amount of \$19,134 for a new copying machine.

Licking County Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010, and comparisons to fiscal year 2009.

Table 2
Changes in Net Assets

	Governmental Activities		
	2010	2009	Change
Revenues			
Program Revenues:			
Charges for Services	\$8,310,369	\$7,934,913	\$375,456
Operating Grants and Contributions	1,980,741	2,221,371	(240,630)
Total Program Revenues	<u>10,291,110</u>	<u>10,156,284</u>	<u>134,826</u>
General Revenues:			
Grants and Entitlements	549,251	539,498	9,753
Investment Earnings	3,339	12,367	(9,028)
Miscellaneous	9,505	46,184	(36,679)
Total General Revenues	<u>562,095</u>	<u>598,049</u>	<u>(35,954)</u>
Total Revenues	<u>10,853,205</u>	<u>10,754,333</u>	<u>98,872</u>
Program Expenses			
Instruction:			
Regular	0	8,077	(8,077)
Special	2,903,741	2,782,350	121,391
Support Services:			
Pupils	1,844,956	1,570,853	274,103
Instructional Staff	4,765,216	4,689,401	75,815
Intergovernmental	148,811	55,907	92,904
Board of Education	12,679	13,500	(821)
Administration	942,093	916,367	25,726
Fiscal	287,899	269,949	17,950
Business	8,033	11,054	(3,021)
Operation and Maintenance of Plant	88,711	99,692	(10,981)
Central	266,101	258,756	7,345
Interest and Fiscal Charges	3,164	3,918	(754)
Total Expenses	<u>11,271,404</u>	<u>10,679,824</u>	<u>591,580</u>
<i>Change in Net Assets</i>	(418,199)	74,509	(492,708)
Net Assets Beginning of Year	<u>2,237,991</u>	<u>2,163,482</u>	<u>74,509</u>
Net Assets End of Year	<u>\$1,819,792</u>	<u>\$2,237,991</u>	<u>(\$418,199)</u>

The majority of the decrease in net assets of \$418,199 is due to the increase in expenses in the amount of \$591,580 which represents an increase of 6 percent. The increase in expenses is due to the increase in salaries in the amount of 1.5 percent and the addition of 16 new positions in the areas of special instruction, support services pupil, and support services instructional staff. Intergovernmental expenses increased in fiscal year 2010 due to additional grant monies that were received for the handicapped preschool program.

Licking County Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

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

Table 3
Governmental Activities

	2010 Total Cost of Services	2010 Net Cost of Services	2009 Total Cost of Services	2009 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$0	\$0	\$8,077	\$2,032
Special	2,903,741	(1,074,998)	2,782,350	(1,272,665)
Support Services:				
Pupils	1,844,956	931,570	1,570,853	697,790
Instructional Staff	4,765,216	(121,583)	4,689,401	(91,660)
Intergovernmental	148,811	15,842	55,907	(9,135)
Board of Education	12,679	12,679	13,500	13,500
Administration	942,093	656,644	916,367	616,082
Fiscal	287,899	207,297	269,949	211,001
Business	8,033	8,033	11,054	11,054
Operation and Maintenance of Plant	88,711	88,711	99,692	99,442
Central	266,101	252,935	258,756	242,181
Interest and Fiscal Charges	3,164	3,164	3,918	3,918
Totals	\$11,271,404	\$980,294	\$10,679,824	\$523,540

Special instruction programs comprise approximately 26 percent of total governmental program expenses while support services comprise approximately 74 percent of total governmental program expenses. Of the support services expenses, approximately 22 percent is for pupils, 57 percent for instructional staff, and 11 percent for administration.

The Educational Service Center's Major Funds

The Educational Service Center's major fund (the general fund) is accounted for using the modified accrual basis of accounting. The general fund had total revenues of \$9,822,831, expenditures of \$10,067,473, and other financing sources of \$19,134 which resulted in a decrease in fund balance of \$225,508. Fiscal year 2010 revenues increased \$541,405 over fiscal year 2009 while expenses increased from fiscal year 2009 to fiscal year 2010 by \$892,768. The additional revenues were due to an increase in charges for services. The majority of the increase in expenses were in the areas of special instruction, support services pupil, and support services instructional staff due to the addition of 16 new positions.

Licking County Educational Service Center, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

General Fund Budgeting Highlights

Under Ohio law Educational Service Centers are no longer required to prepare a budget. Therefore, at June 30, 2010 a budgetary statement is not presented within the basic financial statements because the Board did not approve estimated revenues or adopt appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the Educational Service Center had \$101,039 invested in furniture, fixtures, and equipment. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4
Capital Assets at June 30, 2010
(Net of Depreciation)

	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2010</u>	<u>2009</u>
Furniture, Fixtures, and Equipment	\$101,039	\$116,886
Vehicles	<u>0</u>	<u>1,320</u>
Totals	<u><u>\$101,039</u></u>	<u><u>\$118,206</u></u>

See Note 7 for more detailed information of the Educational Service Center's capital assets.

Debt

At June 30, 2010, the Educational Service Center had \$36,201 in capital leases outstanding. See Note 13 for more detailed information of the Educational Service Center's debt.

Economic Factors

The Licking County Educational Service Center's net assets decreased by \$418,199. As the preceding information shows, the Educational Service Center relies heavily on the special education services it provides to its local school districts. Special education service charges are based upon the actual cost of the service divided by the number of students who will benefit from the service. The financial positions of the local school districts and their willingness to continue to contract for special education services with the Educational Service Center will have an impact on the increase or decrease in revenues of the Educational Service Center.

Contacting the Educational Service Center's Financial Management

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

BASIC FINANCIAL STATEMENTS

Licking County Educational Service Center, Ohio

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,036,863
Prepaid Items	299
Accounts Receivable	8,339
Intergovernmental Receivable	2,265,962
Materials and Supplies Inventory	1,202
Depreciable Capital Assets, Net	<u>101,039</u>
<i>Total Assets</i>	<u>3,413,704</u>
Liabilities	
Matured Interest Payable	24
Matured Capital Leases Payable	119
Accounts Payable	26,640
Accrued Wages and Benefits Payable	910,224
Intergovernmental Payable	312,389
Long-Term Liabilities:	
Due Within One Year	137,834
Due In More Than One Year	<u>206,682</u>
<i>Total Liabilities</i>	<u>1,593,912</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	64,838
Restricted for Teacher Incentive Program	82,002
Restricted for Advisory Services	17,157
Restricted for Other Purposes	21,728
Unrestricted	<u>1,634,067</u>
<i>Total Net Assets</i>	<u><u>\$1,819,792</u></u>

See accompanying notes to the basic financial statements

Licking County Educational Service Center, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Special	2,903,741	3,161,530	817,209	1,074,998
Support Services:				
Pupils	1,844,956	913,386	0	(931,570)
Instructional Staff	4,765,216	4,006,553	880,246	121,583
Intergovernmental	148,811	0	132,969	(15,842)
Board of Education	12,679	0	0	(12,679)
Administration	942,093	208,733	76,716	(656,644)
Fiscal	287,899	17,167	63,435	(207,297)
Business	8,033	0	0	(8,033)
Operation and Maintenance of Plant	88,711	0	0	(88,711)
Central	266,101	3,000	10,166	(252,935)
Interest and Fiscal Charges	3,164	0	0	(3,164)
Totals	\$11,271,404	\$8,310,369	\$1,980,741	(980,294)

General Revenues

Grants and Entitlements not Restricted to Specific Programs	549,251
Investment Earnings	3,339
Miscellaneous	9,505
Total General Revenues	562,095
<i>Change in Net Assets</i>	<i>(418,199)</i>
<i>Net Assets Beginning of Year</i>	<i>2,237,991</i>
<i>Net Assets End of Year</i>	<i>\$1,819,792</i>

See accompanying notes to the basic financial statements

Licking County Educational Service Center, Ohio

Balance Sheet

Governmental Funds

June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$843,394	\$193,469	\$1,036,863
Accounts Receivable	5,074	3,265	8,339
Interfund Receivable	85,307	0	85,307
Intergovernmental Receivable	2,123,691	142,271	2,265,962
Prepaid Items	299	0	299
Materials and Supplies Inventory	1,202	0	1,202
Total Assets	\$3,058,967	\$339,005	\$3,397,972
Liabilities			
Accounts Payable	\$12,986	\$13,654	\$26,640
Accrued Wages and Benefits Payable	883,152	27,072	910,224
Interfund Payable	0	85,307	85,307
Matured Interest Payable	24	0	24
Matured Capital Leases Payable	119	0	119
Deferred Revenue	2,077,727	24,148	2,101,875
Intergovernmental Payable	291,708	20,681	312,389
Total Liabilities	3,265,716	170,862	3,436,578
Fund Balances			
Reserved for Encumbrances	24,605	58,765	83,370
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(231,354)	0	(231,354)
Special Revenue Funds	0	109,378	109,378
Total Fund Balances	(206,749)	168,143	(38,606)
Total Liabilities and Fund Balances	\$3,058,967	\$339,005	\$3,397,972

See accompanying notes to the basic financial statements

Licking County Educational Service Center, Ohio
*Reconciliation of the Governmental Funds Balance Sheet to
the Statement of Net Assets
June 30, 2010*

Total Governmental Fund Balances	(\$38,606)
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Amounts reported for governmental activities in the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	101,039
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	
Grants	24,148
Charges for Services	2,077,727
	2,101,875

Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:	
Capital Leases Payable	(36,201)
Compensated Absences	(308,315)
	(344,516)

Net Assets of Governmental Activities	\$1,819,792
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See accompanying notes to the basic financial statements

Licking County Educational Service Center, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Intergovernmental	\$1,340,066	\$1,119,975	\$2,460,041
Investment Earnings	3,339	0	3,339
Charges for Services	8,092,152	47,124	8,139,276
Tuition and Fees	368,219	0	368,219
Contributions and Donations	9,550	42,245	51,795
Miscellaneous	9,505	0	9,505
Total Revenues	9,822,831	1,209,344	11,032,175
Expenditures			
Current:			
Instruction:			
Special	2,711,499	175,110	2,886,609
Support Services:			
Pupils	1,863,992	0	1,863,992
Instructional Staff	4,004,201	730,392	4,734,593
Board of Education	12,679	0	12,679
Administration	877,160	67,796	944,956
Fiscal	230,412	56,659	287,071
Business	8,033	0	8,033
Operation and Maintenance of Plant	88,358	0	88,358
Central	253,562	10,941	264,503
Intergovernmental	0	148,811	148,811
Debt Service:			
Principal Retirement	14,413	0	14,413
Interest and Fiscal Charges	3,164	0	3,164
Total Expenditures	10,067,473	1,189,709	11,257,182
Excess of Revenues Over (Under) Expenditures	(244,642)	19,635	(225,007)
Other Financing Source			
Inception of a Capital Lease	19,134	0	19,134
Net Change in Fund Balances	(225,508)	19,635	(205,873)
Fund Balances Beginning of Year	18,759	148,508	167,267
Fund Balances End of Year	(\$206,749)	\$168,143	(\$38,606)

See accompanying notes to the basic financial statements

Licking County Educational Service Center, Ohio
*Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$205,873)

*Amounts reported for governmental activities in the statement of activities
are different because*

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

Capital Asset Additions	33,656	
Depreciation Expense	(40,589)	(6,933)

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

Loss on Disposal of Capital Assets	(10,234)	
Forgiven Lease	5,508	(4,726)

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

Grants	18,156	
Charges for Services	(197,126)	(178,970)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 14,413

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets the lease obligation is reported as a liability. (19,134)

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

Compensated Absences Payable		(16,976)

Change in Net Assets of Governmental Activities (\$418,199)

See accompanying notes to the basic financial statements

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 1 - REPORTING ENTITY

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

The Licking County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 122 support staff employees and 85 certified personnel that provide services to the school districts.

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

A. Primary Government

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

The Educational Service Center participates in the Licking Area Computer Association, the Career and Technology Education Centers of Licking County, the Coalition of Rural and Appalachian Schools, the Metropolitan Educational Council, the School Study Council of Ohio, the Licking County Children and Families First Council, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Ohio School Benefits Cooperative, which are defined as jointly governed organizations and insurance purchasing pools. These organizations are presented in Notes 14 and 15.

B. Component Units

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

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

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

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

B. Fund Accounting

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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

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

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

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

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

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

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

E. Budgetary Data

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

F. Cash and Cash Equivalents

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

During fiscal year 2010 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2010.

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$3,339, which includes \$2,558 assigned from other Educational Service Center funds.

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

G. Receivables and Payables

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

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

J. Capital Assets

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

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

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

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Fund Balance Reserves

The Educational Service Center records reservations for portions of fund equity which are legally segregated for 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 are established for encumbrances.

N. Net Assets

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

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

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

O. Estimates

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

P. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/expenses. For fiscal year 2010, this included the Early Childhood Special Education Grant Special Revenue Fund.

NOTE 3 – ACCOUNTABILITY

The General fund and the Public Preschool Grant special revenue fund had deficit fund balances in the amount of \$206,749 and \$772, respectively, at June 30, 2010. The deficit was the result of the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above;
4. Bonds and obligations of the State of Ohio;
5. Time certificates of deposits or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, all of the Educational Service Center's bank balance of \$1,329,847 was fully insured and collateralized.

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

Investments

As of June 30, 2010, the Educational Service Center had the following investment.

	<u>Fair Value</u>	<u>Maturity</u>
STAR Ohio	\$367,469	Average 56.0 days

Licking County Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

Interest Rate Risk

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

Credit Risk

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

NOTE 5 - STATE FUNDING

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

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

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

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2010, consisted of charges for services, excess costs, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities</u>	
Excess Costs	\$2,093,147
Ohio Department of Education Teacher Residency Grant	51,440
Disabled Preschool Grant	12,415
ARRA Disabled Preschool Grant	7,751
Center for Teaching Profession Grant	46,517
Ohio Department of Education Performance Indicators Grant	24,148
Fingerprinting Services - Local School Districts	1,792
Training Services - Local School Districts	14,974
Foundation Adjustment	12,745
Other	1,033
Total	<u><u>\$2,265,962</u></u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>
<u>Depreciable Capital Assets</u>				
Furniture, Fixtures, and Equipment	\$355,579	\$33,656	(\$26,624)	\$362,611
Vehicles	2,595	0	(2,595)	0
Total at Historical Cost	<u>358,174</u>	<u>33,656</u>	<u>(29,219)</u>	<u>362,611</u>
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(238,693)	(40,351)	17,472	(261,572)
Vehicles	<u>(1,275)</u>	<u>(238)</u>	1,513	0
Total Accumulated Depreciation	<u>(239,968)</u>	<u>(40,589) *</u>	18,985	<u>(261,572)</u>
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$118,206</u>	<u>(\$6,933)</u>	<u>(\$10,234)</u>	<u>\$101,039</u>

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

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$17,042
Support Services:	
Pupils	2,668
Instructional Staff	4,135
Administration	15,387
Fiscal	513
Operation and Maintenance	253
Central	591
Total Depreciation Expense	<u><u>\$40,589</u></u>

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 8 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Educational Service Center participated with other school districts in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP. (See Note 15)

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

Building and Contents (\$1,000 deductible)

Personal Property	\$899,251
Valuable Paper and Records	100,000
Accounts Receivable	100,000
Extra Expense	1,000,000
Business Income	250,000

Crime Insurance (\$1,000 deductible)

Employee Theft	25,000
Forgery or Alteration	25,000
Computer Fraud	25,000

Inland Marine (\$1,000 deductible)

Electronic Data Processing Media and Data Reproduction	51,500
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Fleet Insurance

Automobile Liability (\$250 deductible comprehensive and \$500)	2,000,000
Uninsured Motorists (\$250 deductible comprehensive and \$500)	1,000,000
Auto Medical Payments	5,000

General Liability

Per Occurrence	2,000,000
Aggregate Limit	4,000,000

Educational Legal Liability for General Liability (\$2,500 deductible)

Errors and Omissions	
Per Occurrence	2,000,000
Aggregate Limit	4,000,000

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

For fiscal year 2010, the Educational Service Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

Plan Description - The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement 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 Web site at 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.

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 the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. 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 Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$596,172, \$577,998, and \$553,212 respectively; 87.64 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$44,249 made by the Educational Service Center and \$31,607 made by the plan members.

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

B. School Employees Retirement System

Plan Description - The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$335,174, \$219,122 and \$189,471 respectively; 88.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 10 - POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The Educational Service Center contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. 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 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$49,263, \$46,307, and \$44,156 respectively; 87.64 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. School Employee Retirement System

Plan Description – The Educational Service Center participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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 401h. For 2010, .46 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 2010, this amount was \$35,800.

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

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$50,999, \$135,597, and \$117,173 respectively; 20.82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,932, \$18,079, and \$13,652 respectively; 88.01 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Insurance Benefits

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE

In the current and prior fiscal years, the Educational Service Center has entered into a capital lease for photo-copying equipment. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The Educational Service Center traded-in assets obtained through a capital lease within the current year. The outstanding principal amount of \$5,508 for the leased copiers that were traded-in was forgiven and is reflected as a reduction of capital leases payable during the current fiscal year.

The agreement provides for minimum annual lease payments as follows:

Fiscal Year Ending June 30,	Total
2011	\$16,151
2012	11,312
2013	7,554
2014	4,833
2015	<u>1,614</u>
Total minimum lease payments	41,464
Less: Amount representing interest	<u>(5,263)</u>
Present value of minimum lease	<u><u>\$36,201</u></u>

Principal payments in fiscal year 2010 totaled \$14,413 in the governmental funds.

Property under Capital Lease	\$77,057
Less: Accumulated Depreciation	<u>(43,223)</u>
Total June 30, 2010	<u><u>\$33,834</u></u>

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the Educational Service Center's long-term obligations during fiscal year 2010 were as follows:

	Outstanding 6/30/2009	Additions	Deletions	Outstanding 6/30/2010	Due Within One Year
Compensated Absences	\$291,339	\$137,344	\$120,368	\$308,315	\$124,145
Capital Leases	<u>36,988</u>	<u>19,134</u>	<u>19,921</u>	<u>36,201</u>	<u>13,689</u>
Total Long-Term Obligations	<u><u>\$328,327</u></u>	<u><u>\$156,478</u></u>	<u><u>\$140,289</u></u>	<u><u>\$344,516</u></u>	<u><u>\$137,834</u></u>

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Licking Area Computer Association

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

The continued existence of LACA is not dependent on the Educational Service Center's continued participation and no equity interest exists. The LACA constitution states that any Educational Service Center withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The Educational Service Center's payments to LACA for computer services for fiscal year 2010 were \$36,255. Financial statements for LACA can be obtained from their fiscal agent - the Career and Technology Education Centers of Licking County, 150 Price Road, Newark, OH 43055.

B. Career and Technology Education Centers of Licking County

The Career and Technology Education Centers of Licking County is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of three board members from the Licking County Educational Service Center, two from the Newark City Educational Service Center, one from the Heath City Educational Service Center, and one from the Granville Exempted Village Educational Service Center, which possesses its own budgeting and taxing authority. The Educational Service Center's payments to the Career and Technology Education Centers of Licking County for services for fiscal year 2010 were \$4,364. To obtain financial information write to the Career and Technology Education Centers of Licking County, Benjamin Streby, who serves as Treasurer, at 150 Price Road, Newark, Ohio 43055.

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 Educational Service Centers and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for Educational Service Center administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for Educational Service Center personnel. The Council is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or financial responsibility for the Council. The Educational Service Center made no contributions to the Coalition of Rural and Appalachian Schools during fiscal year 2010.

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

D. Metropolitan Educational Council

The Educational Service Center participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 135 members which includes Educational Service Centers, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. The MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The Educational Service Center participates in the insurance purchasing pool. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating Educational Service Center in Franklin County (18 Educational Service Centers) and one representative from each county.

Each year, the participating Educational Service Centers pay a membership fee to MEC to cover the costs of administering the program. The Educational Service Center's membership payment to MEC for fiscal year 2010 was \$300. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

E. School Study Council of Ohio

The School Study Council of Ohio (Council) is a jointly governed organization operated by a Board of Trustees (Board). The Council is comprised of 70 member organizations. The purpose of the Council is to bring about the improvement of education in member school organizations. Educational Service Centers can have active membership by paying a yearly membership fee which entitles each Educational Service Center to attend Council meetings and voting privileges. Educational Service Centers may elect to be associate members which entitles them to attend meetings and participate in Council discussions but are not entitled to vote. The Board is annually elected from within the Council's active membership. In fiscal year 2009, the Board consisted of sixteen members. In fiscal year 2010, the Educational Service Center obtained active membership privileges and paid a membership fee of \$300.

F. Licking County Children and Families First Council

The Licking County Children and Families First Council (Council) is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: Director of the Licking Knox County Mental Health and Recovery Services Board, Director of the Licking County Alcoholism Prevention Program, Health Commissioner of the Licking County Health Department, Health Commissioner of the City of Newark, Director of Licking County Human Services, Director of Family and Health Services, Director of Moundbuilders Guidance Center, Director of Family Counseling Services, Director of Licking County Coalition for Housing, Superintendent of the Licking County Mental Retardation and Developmental Disabilities, Licking County Juvenile Court Judge, Superintendent of the Licking County Educational Services Center, the Superintendent of Newark City Schools, a representative of the City of Newark, a representative of the Licking Economic Action Development Study, a representative of the Licking County United Way, a representative from Family and Consumer Services, a representative of the County's Early Intervention Network, a representative of the Licking County Commissioners Office, the East District Family and Children First Coordinator and at least three individuals representing the interests of families of the County. When possible, the number of members representing families shall be equal to twenty percent of the Council's remaining membership. In fiscal year 2010, the Educational Service Center paid a membership fee of \$2,000.

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 15 - INSURANCE PURCHASING POOLS

A. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The Educational Service Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating Educational Service Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Ohio School Plan

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

C. Ohio School Benefits Cooperative

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

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

Licking County Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 16 - CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2010.

The Educational Service Center has been approved for \$136,761 of Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund early childhood programs. The allocations became available during fiscal year 2010 and will be used for programs through fiscal year 2011.

B. Litigation

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

NOTE 17 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2010 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General	\$85,307	\$0
Other Governmental Funds:		
Miscellaneous State Grants	0	41,424
Handicapped Preschool	0	4,201
Ohio Teacher Incentive Grant	0	39,682
Total Other Governmental Funds	<u>0</u>	<u>85,307</u>
Total All Funds	<u>\$85,307</u>	<u>\$85,307</u>

The general fund made advances to other non-major governmental funds, in the amount of \$85,307 to subsidize negative cash balances. The interfund payables are anticipated to be repaid within one year.

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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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Educational Service Center, Licking County, Ohio, (the Center) as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated December 20, 2010.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 20, 2010



Dave Yost • Auditor of State

LICKING COUNTY EDUCATIONAL SERVICE CENTER

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 1, 2011