

TRI-COUNTY EDUCATIONAL SERVICE CENTER

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended June 30, 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Tri-County Educational Service Center
741 Winkler Drive
Wooster, Ohio 44691

We have reviewed the *Report of Independent Accountants* of the Tri-County Educational Service Center, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tri-County Educational Service Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 25, 2010

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TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY
AUDIT REPORT
For the Year Ending June 30, 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Tri-County Educational Service Center
Wayne County
741 Winkler Drive
Wooster, Ohio 44691

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Tri-County Educational Service Center, Wayne County, Ohio, (the Educational Service Center), as of and for the year ended June 30, 2009, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Ashland County Community Academy (ACCA), which represent 100 percent of the assets, net assets, and revenues of the ACCA, the discretely presented component unit of the Educational Service Center. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the ACCA, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Tri-County Educational Service Center, Wayne County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009 on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) provides additional information and is not a required part of the basic financial statements. We subjected the Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
November 30, 2009

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$341,957 which represents a 11.20% increase from 2008.
- General revenues accounted for \$1,883,510 in revenue or 13.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$12,554,438 or 86.95% of total revenues of \$14,437,948.
- The ESC had \$14,095,991 in expenses related to governmental activities; only \$12,554,438 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$1,883,510 were adequate to provide for these programs.
- The ESC's only major governmental fund is the general fund. The general fund had \$13,255,863 in revenues and \$13,568,073 in expenditures. During fiscal 2009, the general fund's fund balance decreased \$312,210 from \$2,005,683 to \$1,693,473.

Using the Basic Financial Statements (BFS)

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

The statement of net assets and statement of activities provide information about the activities of the whole ESC, presenting both an aggregate view of the ESC's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund is the only governmental fund reported as a major fund.

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

In the statement of net assets and statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, and other operations.

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

Reporting the ESC's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Funds

The ESC maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the ESC's various functions. The ESC's internal service fund accounts for medical/surgical, vision and dental self-insurance. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the ESC's fiduciary activities are reported in a separate statement of fiduciary net assets on page 22. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information on pages 48-50 of this report.

The ESC as a Whole

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

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 4,884,617	\$ 4,733,152
Capital assets, net	<u>468,637</u>	<u>496,182</u>
Total assets	<u>5,353,254</u>	<u>5,229,334</u>
<u>Liabilities</u>		
Current liabilities	1,495,201	1,712,128
Long-term liabilities	<u>463,540</u>	<u>464,650</u>
Total liabilities	<u>1,958,741</u>	<u>2,176,778</u>
<u>Net Assets</u>		
Invested in capital assets	468,637	496,182
Restricted	143,970	104,422
Unrestricted	<u>2,781,906</u>	<u>2,451,952</u>
Total net assets	<u>\$ 3,394,513</u>	<u>\$ 3,052,556</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the ESC's assets exceeded liabilities by \$3,394,513. Of this total, \$143,970 is restricted in use.

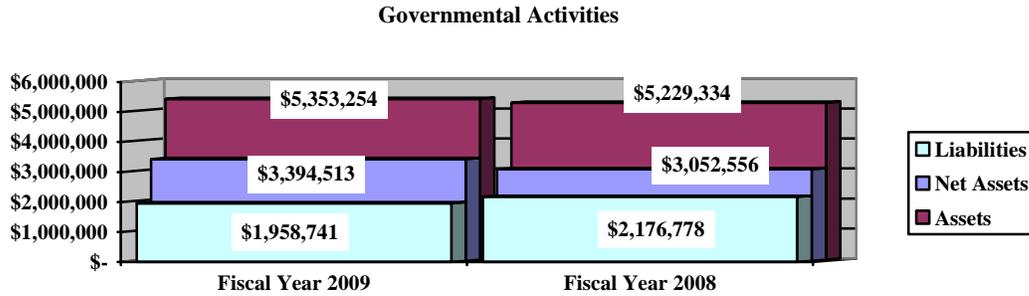
At year-end, capital assets represented 8.75% of total assets. Capital assets include land, buildings and improvements and furniture and equipment. Capital assets, net of accumulated depreciation, at June 30, 2009 were \$468,637. These capital assets are used to provide the ESC's services and are not available for future spending.

A portion of the ESC's net assets, \$143,970, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,781,906 may be used to meet the ESC's ongoing obligations to the ESC's students and creditors.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

The graph below illustrates the ESC's assets, liabilities, and net assets at June 30, 2009 and 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	\$ 10,051,578	\$ 8,910,381
Operating grants and contributions	2,502,860	1,715,927
General revenues:		
Grants and entitlements	1,784,080	1,889,158
Investment earnings	91,827	160,587
Other	7,603	143,795
Total revenues	<u>14,437,948</u>	<u>12,819,848</u>

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008	Percent Change
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 1,107,607	\$ 578,581	91.44%
Special	1,404,643	845,153	66.20%
Adult/continuing	62,701	56,613	10.75%
Support services:			
Pupil	2,735,480	3,181,013	(14.01)%
Instructional staff	2,767,649	3,324,592	(16.75)%
Board of education	43,337	31,259	38.64%
Administration	451,165	623,678	(27.66)%
Fiscal	317,914	343,181	(7.36)%
Business	157,721	177,972	(11.38)%
Operations and maintenance	192,545	233,222	(17.44)%
Pupil transportation	2,117	7,318	(71.07)%
Central	1,313,607	1,301,367	0.94%
Operations of non-instructional services	<u>3,539,505</u>	<u>3,506,382</u>	0.94%
Total expenses	<u>14,095,991</u>	<u>14,210,331</u>	(0.80)%
Change in net assets	341,957	(1,390,483)	
Net assets at beginning of year	<u>3,052,556</u>	<u>4,443,039</u>	
Net assets at end of year	<u>\$ 3,394,513</u>	<u>\$ 3,052,556</u>	

Governmental Activities

Net assets of the ESC's governmental activities increased \$341,957. Total governmental expenses of \$14,095,991 were offset by program revenues of \$12,554,438 and general revenues of \$1,883,510. Program revenues supported 89.06% of the total governmental expenses.

Regular instruction expenditures increased 91.44% and charges for services and sales increased 12.81% from 2008 primarily due to the service contract and sponsorship contract with the Ashland County Community Academy, a component unit of the ESC. The decrease in pupil support services expenditures and increase in special instruction expenditures was primarily a result of the ESC accounting for special education preschool in special instruction expenditures during 2009 as opposed to pupil support services expenditures in 2008. The decrease in instructional staff support services expenditures was due primarily to a decrease in contracted services salaries paid from instructional staff support services. Overall, governmental activities expenditures decreased 0.80% from 2008.

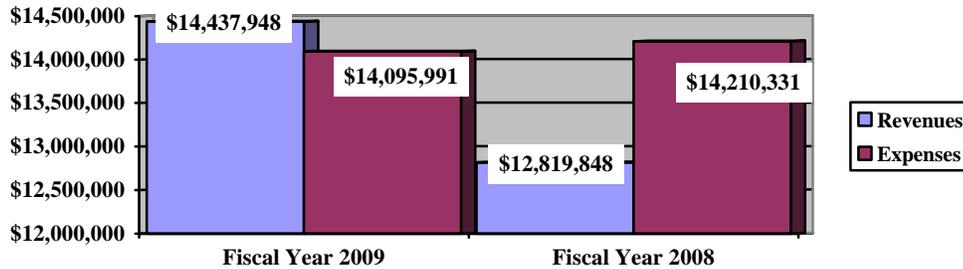
The primary sources of revenue for governmental activities are derived from contracted fees for services provided to other entities. This revenue source represents 69.62% of total governmental revenue.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements, and other general revenues not restricted to a specific program.

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 1,107,607	\$ 213,760	\$ 578,581	\$ 207,181
Special	1,404,643	336,205	845,153	257,142
Adult/continuing	62,701	16,907	56,613	16,583
Support services:				
Pupil	2,735,480	646,906	3,181,013	973,622
Instructional staff	2,767,649	501,701	3,324,592	1,062,626
Board of education	43,337	11,686	31,259	9,157
Administration	451,165	99,899	623,678	339,449
Fiscal	317,914	70,020	343,181	122,446
Business	157,721	35,265	177,972	58,503
Operations and maintenance	192,545	58,858	233,222	88,430
Pupil transportation	2,117	(232)	7,318	6,634
Central	1,313,607	282,750	1,301,367	403,142
Operations of non-instructional services	<u>3,539,505</u>	<u>(732,172)</u>	<u>3,506,382</u>	<u>39,108</u>
Total	<u>\$ 14,095,991</u>	<u>\$ 1,541,553</u>	<u>\$ 14,210,331</u>	<u>\$ 3,584,023</u>

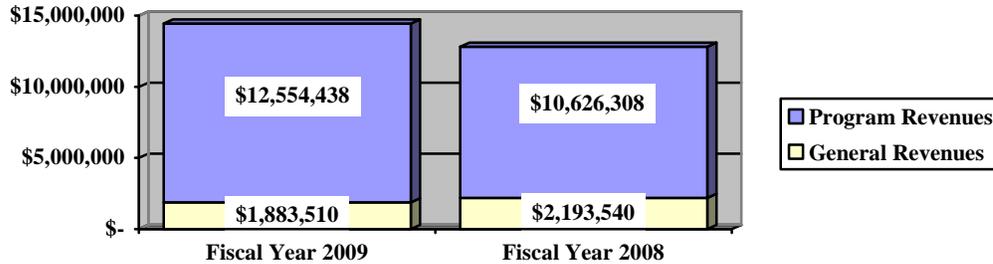
For all governmental activities, program revenue support is 89.06%. The primary support of the ESC is contracted fees for services provided to other districts.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$1,783,811, which is less than last year's total of \$2,083,499. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ <u>(Decrease)</u>
General	\$ 1,693,473	\$ 2,005,683	\$ (312,210)
Other Governmental	<u>90,338</u>	<u>77,816</u>	<u>12,522</u>
Total	<u>\$ 1,783,811</u>	<u>\$ 2,083,499</u>	<u>\$ (299,688)</u>

General Fund

The ESC's general fund balance decreased \$312,210. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

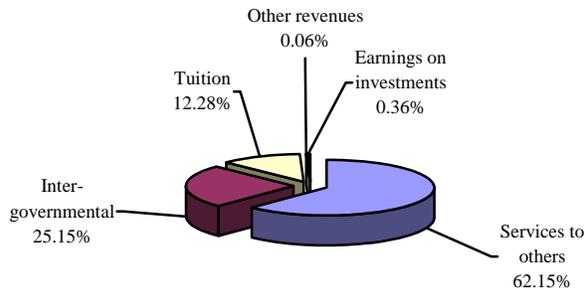
**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

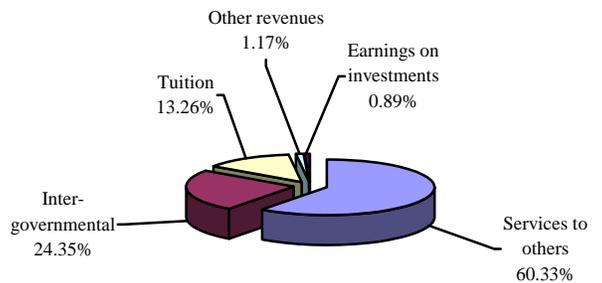
	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Services provided to other entities	\$ 8,238,600	\$ 7,384,806	11.56 %
Tuition	1,627,828	1,623,341	0.28 %
Earnings on investments	47,991	108,883	(55.92) %
Intergovernmental	3,333,841	2,980,838	11.84 %
Other revenues	<u>7,603</u>	<u>143,795</u>	(94.71) %
Total	<u>\$ 13,255,863</u>	<u>\$ 12,241,663</u>	8.28 %
Expenditures			
Instruction	\$ 2,374,202	\$ 1,179,536	101.28 %
Support services	7,489,341	8,095,650	(7.49) %
Operation of non-instructional	<u>3,704,530</u>	<u>3,342,109</u>	10.84 %
Total	<u>\$ 13,568,073</u>	<u>\$ 12,617,295</u>	7.54 %

Instructional expenditures increased 101.28% from 2008 primarily due to the services the ESC provides to the Ashland County Community Academy, a component unit of the ESC. The ESC began accounting for special education preschool in special instruction expenditures during 2009 as opposed to pupil support services expenditures in 2008. Overall, governmental activities expenditures increased 7.54% from 2008. Earnings on investments decreased 55.92% due to a decrease in available cash balances throughout the year. Other revenues decreased 94.71% due to the decrease in donations received in 2009 compared to 2008.

Revenues - Fiscal Year 2009



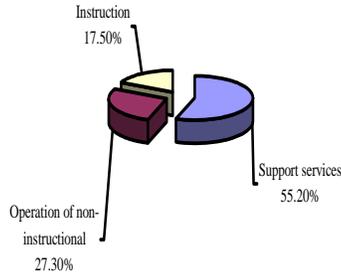
Revenues - Fiscal Year 2008



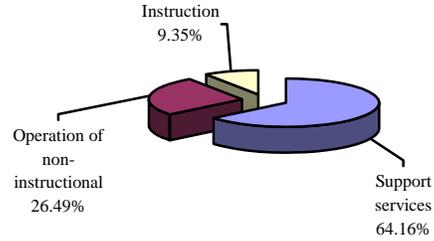
**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

Expenditures - Fiscal Year 2009



Expenditures - Fiscal Year 2008



Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the ESC had \$468,637 invested in land, buildings and improvements and furniture and equipment. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 77,981	\$ 77,981
Buildings and improvements	283,136	294,489
Furniture and equipment	107,520	123,712
Total	\$ 468,637	\$ 496,182

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

Debt Administration

As of June 30, 2009, the ESC has long-term liabilities for sick leave and vacation liabilities. See Note 8 to the basic financial statements for additional information on the ESC's long-term liabilities.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

Current Financial Related Activities

The ESC is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with Board policy. The ESC is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the ESC is committed to providing the best services possible and to be fiscally responsible now and in the future.

Contacting the ESC's Financial Management

This financial report is designed to provide the citizens supported by the districts, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Jill Meng, Treasurer, Tri-County ESC, 741 Winkler Drive, Wooster, Ohio 44691, calling 330-345-6771.

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**BASIC
FINANCIAL STATEMENTS**

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government Governmental Activities	Component Unit Ashland County Community Academy
Assets:		
Equity in pooled cash and investments	\$ 2,615,454	\$ 33,427
Cash with fiscal agent.	1,442,793	-
Receivables:		
Accounts	9,289	4,340
Intergovernmental	751,238	7,641
Accrued interest	22,711	-
Prepayments	43,132	1,223
Capital assets:		
Land	77,981	-
Depreciable capital assets, net	390,656	65,615
Total capital assets, net	468,637	65,615
 Total assets.	 5,353,254	 112,246
Liabilities:		
Accounts payable.	73,975	2,500
Accrued wages and benefits	1,031,016	-
Pension obligation payable.	173,774	-
Intergovernmental payable	146,719	163
Claims payable	60,737	-
Unearned revenue.	8,980	-
Long-term liabilities:		
Due within one year.	273,151	-
Due in more than one year	190,389	-
 Total liabilities	 1,958,741	 2,663
Net Assets:		
Invested in capital assets	468,637	65,615
Restricted for:		
Locally funded programs	51,720	-
State funded programs	9,740	-
Federally funded programs	82,510	10,977
Unrestricted	2,781,906	32,991
 Total net assets	 \$ 3,394,513	 \$ 109,583

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Ashland County Community Academy
Governmental activities:					
Instruction:					
Regular	\$ 1,107,607	\$ 686,098	\$ 207,749	\$ (213,760)	\$ -
Special	1,404,643	1,002,118	66,320	(336,205)	-
Adult/continuing	62,701	45,794	-	(16,907)	-
Support services:					
Pupil	2,735,480	2,013,671	74,903	(646,906)	-
Instructional staff	2,767,649	1,741,752	524,196	(501,701)	-
Board of education	43,337	31,651	-	(11,686)	-
Administration	451,165	297,232	54,034	(99,899)	-
Fiscal	317,914	243,639	4,255	(70,020)	-
Business	157,721	122,456	-	(35,265)	-
Operations and maintenance	192,545	133,687	-	(58,858)	-
Pupil transportation	2,117	-	2,349	232	-
Central	1,313,607	1,027,857	3,000	(282,750)	-
Operation of non-instructional services	3,539,505	2,705,623	1,566,054	732,172	-
Total primary government	<u>\$ 14,095,991</u>	<u>\$ 10,051,578</u>	<u>\$ 2,502,860</u>	<u>(1,541,553)</u>	<u>-</u>
Component Unit:					
Ashland County					
Community Academy	<u>\$ 417,555</u>	<u>\$ 2,625</u>	<u>\$ 143,551</u>	<u>-</u>	<u>(271,379)</u>
General Revenues:					
Grants and entitlements not restricted					
to specific programs				1,784,080	335,645
Investment earnings				91,827	-
Miscellaneous				7,603	4,340
Total general revenues				<u>1,883,510</u>	<u>339,985</u>
Change in net assets				341,957	68,606
Net assets (deficit) at beginning of year				<u>3,052,556</u>	<u>40,977</u>
Net assets at end of year				<u>\$ 3,394,513</u>	<u>\$ 109,583</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 2,494,760	\$ 120,694	\$ 2,615,454
Receivables:			
Accounts	9,289	-	9,289
Intergovernmental	658,922	92,316	751,238
Accrued interest	22,711	-	22,711
Prepayments	43,132	-	43,132
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 3,228,814</u>	<u>\$ 213,010</u>	<u>\$ 3,441,824</u>
Liabilities:			
Accounts payable	\$ 63,807	\$ 13,239	\$ 77,046
Accrued wages and benefits	995,937	35,079	1,031,016
Compensated absences payable.	19,052	-	19,052
Pension obligation payable	162,207	11,567	173,774
Intergovernmental payable	128,974	14,674	143,648
Deferred revenue	156,384	48,113	204,497
Unearned revenue	8,980	-	8,980
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,535,341</u>	<u>122,672</u>	<u>1,658,013</u>
Fund Balances:			
Reserved for encumbrances	164,551	48,769	213,320
Reserved for prepayments	43,132	-	43,132
Unreserved, undesignated, reported in:			
General fund	1,485,790	-	1,485,790
Special revenue funds.	-	41,569	41,569
	<hr/>	<hr/>	<hr/>
Total fund balances.	<u>1,693,473</u>	<u>90,338</u>	<u>1,783,811</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 3,228,814</u>	<u>\$ 213,010</u>	<u>\$ 3,441,824</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

Total governmental fund balances		\$ 1,783,811
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		468,637
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental receivable	\$ 71,411	
Services provided to other entities receivable	110,756	
Accrued interest receivable	<u>22,330</u>	
Total		204,497
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		(444,488)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		<u>1,382,056</u>
Net assets of governmental activities		<u><u>\$ 3,394,513</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Services provided to other entities.	\$ 8,238,600	\$ 142,068	\$ 8,380,668
Tuition.	1,627,828	-	1,627,828
Earnings on investments.	47,991	-	47,991
Other local revenues.	7,603	-	7,603
Intergovernmental - Intermediate	9,639	67,038	76,677
Intergovernmental - State	3,266,491	232,803	3,499,294
Intergovernmental - Federal.	57,711	609,099	666,810
Total revenues.	<u>13,255,863</u>	<u>1,051,008</u>	<u>14,306,871</u>
Expenditures:			
Current:			
Instruction:			
Regular.	939,403	196,590	1,135,993
Special.	1,372,098	65,748	1,437,846
Adult/continuing.	62,701	-	62,701
Support Services:			
Pupil.	2,757,113	71,809	2,828,922
Instructional staff	2,384,802	499,013	2,883,815
Board of education	43,337	-	43,337
Administration.	406,970	48,795	455,765
Fiscal	333,590	4,000	337,590
Business	167,666	-	167,666
Operations and maintenance.	183,043	-	183,043
Pupil transportation	-	2,117	2,117
Central.	1,212,820	148,100	1,360,920
Operation of non-instructional services	3,704,530	2,314	3,706,844
Total expenditures.	<u>13,568,073</u>	<u>1,038,486</u>	<u>14,606,559</u>
Net change in fund balances	(312,210)	12,522	(299,688)
Fund balances at beginning of year	<u>2,005,683</u>	<u>77,816</u>	<u>2,083,499</u>
Fund balances at end of year	<u>\$ 1,693,473</u>	<u>\$ 90,338</u>	<u>\$ 1,783,811</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

Net change in fund balances - total governmental funds \$ (299,688)

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 expense exceeds capital outlays in the current period.

Capital asset additions	\$	9,509	
Current year depreciation		(33,577)	
Total			(24,068)

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

(3,477)

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

Intergovernmental revenue		(17,728)	
Services provided to other entities revenue		110,756	
Tuition revenue		(5,787)	
Accrued interest revenue		20,756	
Total			107,997

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

20,162

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

541,031

Change in net assets of governmental activities \$ 341,957

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Assets:	
Current assets:	
Cash with fiscal agent	\$ 1,442,793
Total assets	1,442,793
Liabilities:	
Claims payable	60,737
Total liabilities	60,737
Net assets:	
Unrestricted	1,382,056
Total net assets.	\$ 1,382,056

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,425,156
Miscellaneous	853,188
	2,278,344
Operating expenses:	
Purchased services	400,208
Claims	1,360,185
	1,760,393
Total operating revenues	517,951
Nonoperating revenues:	
Interest revenue	23,080
	23,080
Total nonoperating revenues	541,031
Change in net assets	841,025
Net assets at beginning of year	841,025
Net assets at end of year	\$ 1,382,056

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 1,425,156
Cash received from other sources	853,188
Cash payments for claims.	(1,386,402)
Cash payments for goods and services	(400,208)
	491,734
 Cash flows from investing activities:	
Interest received	23,080
	23,080
Net cash provided by investing activities	23,080
Net increase in cash and cash equivalents	514,814
Cash and cash equivalents at beginning of year. . .	927,979
Cash and cash equivalents at end of year	\$ 1,442,793
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 517,951
Changes in assets and liabilities:	
Decrease in claims payable	(26,217)
	(26,217)
Net cash provided by operating activities.	\$ 491,734

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents .	\$ 10,806
Total assets	<u>\$ 10,806</u>
Liabilities:	
Undistributed monies	\$ 10,806
Total liabilities	<u>\$ 10,806</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Tri-County Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The ESC is an ESC as defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected governing board of nine members and provides services to the public schools in Holmes, Wayne, Medina and Ashland Counties. The Board controls the ESC's instructional support services staffed by 108 non-certified and 154 certified teaching personnel who provide services to 30,070 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the ESC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The ESC also applies Financial Accounting Standards Board (FASB) 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 ESC has elected to follow GASB guidance for business-type activities and enterprise funds rather than FASB guidance issued after November 30, 1989. The ESC's significant accounting policies are described below.

A. Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the ESC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the ESC. For the ESC, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the ESC.

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's governing board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the ESC has one component unit.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

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

DISCRETELY PRESENTED COMPONENT UNIT

Ashland County Community Academy (ACCA)

ACCA is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapters 3314 and 3314.03. ACCA is a conversion school alternative educational program for academically at-risk area high school age students, including but not limited to special needs students. ACCA is governed by a Board of Directors. ACCA's Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. Based on the significant services provided by the ESC to ACCA, ACCA's purpose of servicing the students within the ESC's service area, and the relationship between the Governing Board of the ESC and the Board of Directors of ACCA, ACCA is reflected as a component unit of the ESC. Separately issued financial statements can be obtained from the Treasurer of the ACCA at 741 Winkler Dr., Wooster, Ohio 44691.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the ACCA component unit can be found in Note 15 to these basic financial statements.

JOINTLY GOVERNED ORGANIZATIONS

The Tri-County Computer Service Association (TCCSA) - TCCSA is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Midland Council of Governments, 2125B Eagle Pass, Wooster, Ohio 44691.

PUBLIC ENTITY RISK POOLS

Insurance Purchasing Pools

The ESC participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan's business 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 Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

The ESC also participates in the Schools of Ohio Risk Sharing Authority Board (SORSA), an insurance purchasing pool. SORSA's business affairs are conducted by a nine member Board of directors consisting of a President, Vice President, Secretary, Treasurer and five delegates. SORSA was created to provide joint self-insurance coverage and to assist members to prevent and reduce losses and injuries to the ESC's property and person. It is intended to provide liability and property insurance at reduced premiums for the participants. SORSA is organized as a nonprofit corporation under provisions of Ohio Revised Code 2744.

Claims Servicing Pool

The ESC participates in the Ohio Mid-Eastern Regional Education Service Agency (OMERESA) claims servicing pool. OMERESA's claims servicing pool business and affairs are conducted by a nine member Board of Directors. Each member pays a monthly premium based on its claims history. All participating members retain their risk and OMERESA acts as the claims servicing agent.

B. Fund Accounting

The ESC uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain ESC functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the ESC are grouped into the categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

General fund - The general fund is the general operating fund of the ESC 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 ESC account for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; the ESC has no enterprise funds.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the ESC on a cost reimbursement basis. The ESC's only internal service fund accounts for the operation of the ESC's self-insurance program for employee medical benefits.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC has one agency fund which accounts for Medicaid administrative claims.

C. Basis of Presentation

The ESC'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 ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the ESC at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the ESC'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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the ESC, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the ESC.

Fund Financial Statements - During the year, the ESC segregates transactions related to certain ESC 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 ESC at this more detailed level. The focus of governmental statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

D. 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 ESC are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the ESC finances and meets the cash flow needs of its internal service fund.

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

E. 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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the ESC, available means expected to be received within sixty days of fiscal year end.

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

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

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

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

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

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

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

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

F. Budgetary Data

Although not legally required, the ESC adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the ESC (which are apportioned by the State Department of Education to each local board of education under the supervision of the ESC), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board approve appropriations and estimated resources. The ESC's Board adopts an annual appropriation resolution, which is the Board's, authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the general fund has been presented as supplementary information to the basic financial statements.

G. Cash and Cash Equivalents

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

The ESC is self insured through the Ohio Mid-Eastern Regional Education Service Agency (OMERESA) claims servicing pool. OMERESA is fiscal agent for the pool and the portion of the cash balance held by OMERESA and attributable to the ESC is presented as "cash with fiscal agent" on the financial statements.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

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

During fiscal year 2009, investments were limited to repurchase agreements, negotiable and non-negotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (“STAR Ohio”). Except for nonparticipating investment contracts, such as repurchase agreements and negotiable certificates of deposit, investments are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2009, the general fund received interest earned in the amount of \$47,991. The general fund interest includes approximately \$3,826 assigned from other ESC funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months which are not purchased from the cash management pool are reported as investments.

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

H. Capital Assets

The ESC’s only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC’s capitalization threshold is \$1,000. The ESC 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 capitalized.

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

Description	Governmental Activities Estimated Lives
Land improvements	30 years
Building and improvements	20 - 75 years
Furniture and equipment	7 - 15 years

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

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

I. 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 ESC will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

For governmental funds, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirement. These amounts are reported in the account "compensated absences payable" in the funds from which the employees will be paid.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other government.

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

L. Fund Balance Reserves

The ESC records reservations for portions of fund balance which is legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and prepayments.

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

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

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the ESC, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the funds.

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the ESC and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

Q. 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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

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

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

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the ESC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash With Fiscal Agent

The ESC is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2009, was \$1,442,793.

B. Cash on Hand

At fiscal year end, the ESC had \$525 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and cash equivalents."

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

C. Deposits

At June 30, 2009, the carrying amount of all ESC deposits was \$963,390, exclusive of the \$825,000 repurchase agreement, included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$750,000 of the ESC’s bank balance of \$1,242,112 was exposed to custodial risk as discussed below, while \$492,112 was covered by the FDIC.

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

D. Investments

As of June 30, 2009, the ESC had the following investments and maturities:

Investment type	Fair Value	Investment Maturities		
		6 months or less	7 to 12 Months	13 to 18 Months
Negotiable certificates of deposit	\$ 296,000	\$ 197,000	\$ -	\$ 99,000
Repurchase agreement	825,000	825,000	-	-
STAR Ohio	541,345	541,345	-	-
Total	<u>\$ 1,662,345</u>	<u>\$ 1,563,345</u>	<u>\$ -</u>	<u>\$ 99,000</u>

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

Credit Risk: The ESC’s investments in the federal agency securities that underlie the ESC’s repurchase agreement were rated Aaa by Moody’s Investor Services. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. The ESC’s investment policy does not specifically address credit risk beyond requiring the ESC to invest in securities authorized by State statute.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The negotiable certificates of deposit are covered by the FDIC. Of the ESC's \$825,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the ESC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable certificates of deposit	\$ 296,000	17.81
Repurchase agreement	825,000	49.62
STAR Ohio	541,345	32.57
	<u>\$ 1,662,345</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 963,390
Investments	1,662,345
Cash with fiscal agent	1,442,793
Cash on hand	<u>525</u>
Total	<u>\$ 4,069,053</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,058,247
Agency fund	<u>10,806</u>
Total	<u>\$ 4,069,053</u>

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

NOTE 5 - RECEIVABLES

Receivables at June 30, 2009 consisted of accounts (charges for individual tuition on other services), intergovernmental (billings to school districts for user charged services) and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Accounts	\$ 9,289
Intergovernmental	751,238
Accrued interest	<u>22,711</u>
Total	<u>\$ 783,238</u>

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

NOTE 6 - STATE FUNDING

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

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

Simultaneously, \$40.52 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC. If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$47.02 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. In fiscal year 2009, the State Board of Education reduced ESC funding by approximately 9.615%.

The local school districts to which the ESC provides services have agreed to pay \$6.50 per pupil to provide additional funding for services provided by the ESC. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - CAPITAL ASSETS

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

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Governmental activities:				
Land	\$ 77,981	\$ -	\$ -	\$ 77,981
Total capital assets, not being depreciated	<u>77,981</u>	<u>-</u>	<u>-</u>	<u>77,981</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	376,101	-	-	376,101
Furniture and equipment	<u>301,983</u>	<u>9,509</u>	<u>(11,526)</u>	<u>299,966</u>
Total capital assets, being depreciated	<u>678,084</u>	<u>9,509</u>	<u>(11,526)</u>	<u>676,067</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(81,612)	(11,353)	-	(92,965)
Furniture and equipment	<u>(178,271)</u>	<u>(22,224)</u>	<u>8,049</u>	<u>(192,446)</u>
Total accumulated depreciation	<u>(259,883)</u>	<u>(33,577)</u>	<u>8,049</u>	<u>(285,411)</u>
Governmental activities capital assets, net	<u>\$ 496,182</u>	<u>\$ (24,068)</u>	<u>\$ (3,477)</u>	<u>\$ 468,637</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 422
Special	477

Support services:

Pupil	5,823
Instructional staff	7,702
Administration	306
Fiscal	771
Business	556
Operation and maintenance	14,535
Central	524
Operation of non-instructional services	<u>2,461</u>
Total depreciation expense	<u>\$ 33,577</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
Compensated absences	\$ 464,650	\$ 276,492	\$ (277,602)	\$ 463,540	\$ 273,151
Total	<u>\$ 464,650</u>	<u>\$ 276,492</u>	<u>\$ (277,602)</u>	<u>\$ 463,540</u>	<u>\$ 273,151</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid, which is primarily the general fund.

NOTE 9 - OPERATING LEASE

The ESC entered into a lease agreement on behalf of ACCA on July 14, 2008, with Ashland Station, Inc. to lease classroom space located at the Ashland Square Shopping Center. The term of the lease commenced July 1, 2008, and shall continue for a term of 36 months at a rate of \$2,400 per month. The ESC charges back ACCA for the lease payments incurred on its behalf.

NOTE 10 - RISK MANAGEMENT

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the ESC contracted with the Schools of Ohio Risk Sharing Authority for property and general liability insurance.

General liability coverage is \$7,000,000 annual aggregate/\$5,000,000 single occurrence limit and no deductible. Willis Risk Solutions is the actuary and reinsurance broker. Property coverage is provided by the pool and reinsurer Travelers Insurance Company and includes coverage for crime, employee dishonesty and inland marine. Settled claims have not exceeded this commercial coverage in any of the past three years.

For fiscal year 2009, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, a merit rating pool. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program. Each year the ESC pays an enrollment fee to the program to cover the costs of administration.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - RISK MANAGEMENT - (Continued)

The claims liability of \$60,737 reported in the internal service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

Changes in claims activity for the past two fiscal years were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$ 86,954	\$ 1,360,185	\$ 1,386,402	\$ 60,737
2008	88,035	2,128,053	2,129,134	86,954

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from governing board policies and State laws. Employees earn 10 to 20 days of vacation per year, depending upon length of service and number of days worked per year. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 260 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 50 days.

B. Life Insurance

The ESC provides life insurance and accidental death and dismemberment insurance to full-time employees through MetLife; coverage amount is \$38,000 per employee.

NOTE 12 - CONTINGENCIES

A. Grants

The ESC received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 ESC at June 30, 2009.

B. Litigation

The ESC is not a part of or involved in any legal proceedings at this time. The ESC management is of the opinion that ultimate disposition of any future claims and legal proceedings will not have a material effect, if any, on the financial condition of the ESC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The ESC contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$233,507, \$219,809 and \$197,627, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The ESC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$780,807, \$781,806 and \$753,853, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$1,206 made by the ESC and \$11,532 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Governing Board have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$141,073, \$139,151 and \$100,843, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$19,266, \$15,838 and \$13,439, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$60,062, \$60,139 and \$53,165, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 15 - ASHLAND COUNTY COMMUNITY ACADEMY

The Ashland County Community Academy ("ACCA") is a non-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314.02 and 3314.03 to develop a conversion school alternative educational program for academically at-risk area high school age students, including but not limited to special needs students. ACCA, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices and all other operations. ACCA may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of ACCA. Management is not aware of any course of action or series of events that have occurred that might adversely affect ACCA's tax-exempt status. ACCA is considered a component unit of the ESC for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

NOTE 15 - ASHLAND COUNTY COMMUNITY ACADEMY - (Continued)

On July 8, 2008, the ESC accepted sponsorship of ACCA. ACCA became established as a non-profit corporation on January 20, 2009 and was approved under a five year contract with the ESC commencing June 23, 2009 through June 30, 2014. The ESC is responsible for evaluating the performance of ACCA and has the authority to deny renewal of the contract at its expiration. The Board of Directors is responsible for the operations of ACCA.

ACCA operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out provisions of the contract which, include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards and admission standards.

A. Summary of Significant Accounting Policies

The basic financial statements (BFS) of ACCA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. ACCA also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. ACCA has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. ACCA's significant accounting policies are described below.

Basis of Presentation - ACCA's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. ACCA's basic financial statements are prepared using the accrual basis of accounting.

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.

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WAYNE COUNTY, OHIO**

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

NOTE 15 - ASHLAND COUNTY COMMUNITY ACADEMY - (Continued)

Nonexchange transactions, in which ACCA receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which ACCA must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to ACCA on a reimbursement basis.

Expenses are recognized at the time that they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in ACCA's contract with the ESC.

Cash and Cash Equivalents - All monies received by ACCA are deposited in a demand deposit account.

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market value on the date donated. ACCA maintains a capitalization threshold of \$1,000. ACCA does not have 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 capitalized.

All 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. Furniture and equipment is depreciated over 5-15 years.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets have been restricted for federally funded programs.

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

Prepayments - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

Intergovernmental Revenue - ACCA currently participates in the State foundation program through the Ohio Department of Education, along with the Title I, Improving Teacher Quality and the Federal Start Up programs. Revenues from these programs are recognized in the accounting period in which they are earned, essentially the same as the fiscal year.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

NOTE 15 - ASHLAND COUNTY COMMUNITY ACADEMY - (Continued)

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 ACCA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to ACCA on a reimbursement basis. Federal grant revenue for the period January 20, 2009 through June 30, 2009 was \$143,550.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of ACCA. Operating expenses are necessary costs incurred to provide the service that is the primary activity of ACCA. All revenues and expenses not meeting this definition are reported as non-operating.

Estimates - The preparation of financial statements in conformity with GAAP 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.

B. Deposits

At June 30, 2009, the carrying amount of ACCA's deposits was \$33,427. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, ACCA's entire bank balance of \$121,593 was covered by the FDIC.

C. Receivables

Receivables at June 30, 2009, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
Title I	\$ 7,131
Improving teacher quality	448
Federal start up	<u>62</u>
Total intergovernmental receivables	<u>\$ 7,641</u>

D. Capital Assets

Capital asset activity for the period January 20, 2009 through June 30, 2009 was as follows:

	<u>Balance</u> <u>January 20, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Furniture and equipment	\$ 53,856	\$ -	\$ -	\$ 53,856
Lease-hold improvement	18,380	-	-	18,380
Less: accumulated depreciation	<u>-</u>	<u>(6,621)</u>	<u>-</u>	<u>(6,621)</u>
Capital assets, net	<u>\$ 72,236</u>	<u>\$ (6,621)</u>	<u>\$ -</u>	<u>\$ 65,615</u>

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

NOTE 15 - ASHLAND COUNTY COMMUNITY ACADEMY - (Continued)

E. Risk Management

ACCA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For the period January 20, 2009 through June 30, 2009, ACCA was named on the ESC's policy for property and general liability insurance.

F. Contracts

Sponsor Contract - ACCA has entered into a five-year contract commencing on June 23, 2009 and continuing through June 30, 2014 with the ESC for its establishment. The ESC shall carry out the responsibilities established by law, including:

- Attend training sessions as required by the Ohio Department of Education (ODE) and assure that technical assistance is provided to ACCA.
- Verify by a site visit prior to ACCA's opening for instruction whether ACCA complies with all requirements.
- Monitor ACCA's compliance with the Contract with the ESC and the laws applicable to ACCA.
- Monitor and evaluate the academic and fiscal performance and the organization and operation of ACCA as well as the legal compliance of ACCA.
- Provide technical assistance to ACCA.
- Comply with the financial reporting requirements as established by ODE and in accordance with applicable accounting standards as prescribed by all applicable sections of the Ohio Revised Code.
- As permitted by law, intervene in ACCA's operation to correct problems in the ACCAs overall performance, declare the ACCA to be on probationary status pursuant to Ohio Revised Code Section 3314.073, suspend operation of ACCA pursuant to Ohio Revised Code Section 3314.072, or terminate or non renew this contract pursuant to Ohio Revised Code Section 3314.07, as determined necessary by the ESC.
- Establish a written plan of action to be undertaken in the event that ACCA experiences financial difficulties or closes before the end of the school year.

Service Contract - ACCA and the ESC have entered into a Special Services Contract commencing July 1, 2008 through June 30, 2009. The ESC shall serve as fiscal agent and pay all local expenses involved in ACCA programs including salary, fringe benefits, transportation allowance, office expenses, meeting expenses, supplies and equipment. In addition, the ESC shall pay other costs incurred in the operation of the programs including but not limited to: employment of staff as required by ACCA, complete payroll services and daily fiscal policies and procedures, health insurance, work study, and accounting services. During the period January 20, 2009 through June 30, 2009, ACCA paid the ESC \$143,896 for services under the contract.

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

NOTE 15 - ASHLAND COUNTY COMMUNITY ACADEMY - (Continued)

G. Contingencies

Grants - ACCA 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of ACCA at June 30, 2009.

Litigation - ACCA is not involved in any other litigation that, in the opinion of management, would have a material effect of the financial statements.

State Foundation Funding - The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. ACCA has not been reviewed as of June 30, 2009. ACCA does not anticipate any significant adjustments to State funding for fiscal year 2009, as a result of the reviews which have yet to be completed.

H. Start Up Period

ACCA was established on January 20, 2009, as a non-profit corporation by the State of Ohio. During ACCA's start-up period (April 1, 2008 through January 19, 2009), ACCA received \$7,463 in State foundation and \$15,000 in federal start-up revenue. Additionally, \$219,470, of charges for services revenue was earned for services provided by ACCA for students of other school districts. Of this \$219,470, \$197,970 was due to ACCA at January 20, 2009. The Sponsor incurred expenses of \$200,956 on ACCA's behalf for purchased services and material and supplies. Capital assets in the amount of \$72,236 were invested in computers, equipment, and lease-hold improvements. At January 20, 2009, \$236,692 was due from ACCA to its Sponsor, Tri-County Educational Service Center, for start-up expenses and capital asset purchases.

Net assets at the end of the start-up period consisted of the following:

Cash	\$ 7,463
Accounts receivable	197,970
Capital assets	72,236
Due to primary government (accounts payable)	<u>(236,692)</u>
Total net assets at January 19, 2009	<u>\$ 40,977</u>

**SUPPLEMENTARY
INFORMATION**

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
From local sources:				
Services provided to other entities.	\$ 9,858,421	\$ 9,859,587	\$ 8,503,578	\$ (1,356,009)
Tuition	1,684,219	1,684,418	1,573,994	(110,424)
Earnings on investments.	135,984	136,000	50,661	(85,339)
Other local revenues.	3,600	3,600	9,540	5,940
Intergovernmental - Intermediate	20,998	21,000	9,639	(11,361)
Intergovernmental - State	3,319,190	3,319,582	3,266,491	(53,091)
Intergovernmental - Federal.	52,994	53,000	58,017	5,017
Total revenues.	<u>15,075,406</u>	<u>15,077,187</u>	<u>13,471,920</u>	<u>(1,605,267)</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,145,890	1,146,005	928,811	217,194
Special.	1,345,396	1,345,530	1,293,030	52,500
Adult/continuing	108,436	108,447	64,622	43,825
Support Services:				
Pupil.	3,454,750	3,455,096	2,957,731	497,365
Instructional staff	5,207,679	5,208,199	2,595,918	2,612,281
Board of education	51,452	51,457	46,202	5,255
Administration.	503,501	503,551	444,431	59,120
Fiscal	346,154	346,189	346,064	125
Business	188,458	188,477	168,847	19,630
Operations and maintenance.	258,566	258,592	208,937	49,655
Central.	1,312,138	1,312,269	1,235,082	77,187
Operation of non-instructional services	3,896,926	3,897,315	3,730,941	166,374
Total expenditures	<u>17,819,346</u>	<u>17,821,127</u>	<u>14,020,616</u>	<u>3,800,511</u>
Excess of expenditures over revenues	<u>(2,743,940)</u>	<u>(2,743,940)</u>	<u>(548,696)</u>	<u>2,195,244</u>
Other financing sources:				
Advances in.	12,000	12,000	12,000	-
Total other financing sources.	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Net change in fund balance	(2,731,940)	(2,731,940)	(536,696)	2,195,244
Fund balance at beginning of year.	2,320,083	2,320,083	2,320,083	-
Prior year encumbrances appropriated	411,857	411,857	411,857	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,195,244</u>	<u>\$ 2,195,244</u>

SEE ACCOMPANYING NOTES TO THE SUPPLEMENTARY SECTION

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE COUNTY, OHIO**

NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General</u>
Budget basis	\$ (536,696)
Net adjustment for revenue accruals	(216,057)
Net adjustment for expenditure accruals	153,027
Net adjustment for other sources/(uses)	(12,000)
Adjustment for encumbrances	<u>299,516</u>
GAAP basis	<u>\$ (312,210)</u>

Tri-County Educational Service Center

Schedule of Federal Awards Expenditures

For the year ending June 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Pass through Entity Number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Education</u>				
Direct Program:				
Olweus Bullying Grant	N/A	84.215	\$ 20,122	\$ 20,057
Total Olweus Bullying Grant			20,122	20,057
Pass through Ohio Department of Education:				
Special Education Cluster:				
Parent Mentor Grant	050526-6535E-PM-09	84.027	19,988	16,955
ECSE Outcomes	050526-PGD106	84.173	10,000	10,000
Special Education Handicapped Preschool - FY 08	050526-PGS1-08	84.173	-	7,378
Special Education Handicapped Preschool - FY 09	050526-PGS1-09	84.173	171,157	157,941
Total Special Education Cluster			201,145	192,274
21st Century Grant				
21st Century Learning Grant - FY08	050526-T1S1-08	84.287	(15,604)	35,663
21st Century Learning Grant - FY09	050526-T1S1-09	84.287	346,233	314,703
Total 21st Century Grant			330,629	350,366
Title III				
ELP Assessment Grant	N/A	84.365	5,000	4,695
Title III LEP - FY08	050526-T3S2-08	84.365	-	5,417
Title III LEP - FY09	050526-T3S2-09	84.365	27,386	25,774
Total Title III			32,386	35,886
Instructional Leadership Grant - FY09	050526-TRS1-09	84.367	-	17,500
Total Instructional Leadership Grant			-	17,500
SERRC OISM	N/A	84.323	-	10,353
Total SERRC OISM Grant			-	10,353
Capital Improvement	N/A	84.377	6,000	6,000
Total Capital Improvement Grant			6,000	6,000
Javitis Gifted Grant	050526-6670E-ID-09	84.206	3,000	-
Total Javitis Gifted Grant			3,000	-
Total U.S. Department of Education			593,282	632,436
<u>U.S. Department of Health & Human Services</u>				
Direct Program:				
Medical Assistance Program				
Medicaid Reimbursement-CAFS	N/A	93.778	58,017	-
Total U.S. Department of Health & Human Services			58,017	-
<u>Corporation for National and Community Service</u>				
Direct Program:				
ODJFS Americorps				
ODJFS Americorps - FY09	N/A	94.006	9,523	9,679
Total Corporation for National and Community Service			9,523	9,679
Total Federal Receipts/Expenditures			\$ 660,822	\$ 642,115

See accompanying Notes to the Schedule of Federal Awards Expenditures

**Tri-County Educational Service Center
Wayne County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2009**

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Educational Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Negative Receipts

The Educational Service Center received advances for the 21st Century Learning grant late in the 2008 fiscal year. The unused funds were returned to the Ohio Department of Education during the 2009 fiscal year creating a negative receipt for the grants.

3. Medicaid Reimbursement

The Medicaid-CAFS settlement reimbursement of \$58,017 received during the fiscal year was for Medicaid services provided during prior years.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Tri-County Educational Service Center
Wayne County
741 Winkler Road
Wooster, Ohio 44691

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-County Educational Service Center, Wayne County (Educational Service Center), as of and for the year ended June 30, 2009, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Ashland County Community Academy (ACCA), the discretely presented component unit of the Educational Service Center, as described in the opinion on the financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported.

Internal Controls Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Educational Service Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Educational Service Center's financial statements that is more than inconsequential will not be prevented or detected by the Educational Service Center's internal control.

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

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

Compliance and Other Matters

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

This report is intended for the information and use of management, the audit committee, the Governing Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

November 30, 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Tri-County Educational Service Center
Wayne County
741 Winkler Road
Wooster, OH 44691

To the Governing Board:

Compliance

We have audited the compliance of the Tri-County Educational Service Center, Wayne County (Educational Service Center), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Educational Service Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on the Educational Service Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Service Center's compliance with those requirements.

In our opinion, the Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

We have also audited financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tri-County Educational Service Center, Wayne County, Ohio as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We did not audit the financial statements of the Ashland County Community Academy. Our audit was performed to form opinions on the financial statements. The accompanying federal awards receipts and expenditures schedule provides additional information as required by OMB Circular A-133 and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, the audit committee, the Governing Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
November 30, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**Tri-County Educational Service Center
Wayne County
June 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

Tri-County Educational Service Center
Wayne County
June 30, 2009

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the year ending June 30, 2008, reported no material citations or recommendations.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Tri-County Educational Service Center
Wayne County
741 Winkler Drive
Wooster, Ohio 44691

To the Board of Education:

Ohio Revised Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which we agreed to by the Board, solely to assist the Board in evaluating whether the Tri-County Educational Service Center has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any purpose.

1. We noted that the Board adopted an anti-harassment policy at its meeting on January 8, 2008.
2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any report incidents;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

(9) A disciplinary procedure from any student guilty of harassment, intimidation or bullying, which shall not infringe on any student’s rights under the first amendment to the Constitution of the United States;

(10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

November 30, 2009



Mary Taylor, CPA
Auditor of State

TRI-COUNTY EDUCATIONAL SERVICE CENTER
WAYNE 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 9, 2010