



Shared Online Support

An innovative plan for sharing technology services between local, county, state government and service agencies.

East Central Ohio

Educational Service Center

834 East High Avenue

New Philadelphia, Ohio 44663

(330) 308-9939

Tab 1: Contact Information

Organization Contact Information

Applicant Name: East Central Ohio Educational Service Center
Address: 834 East High Avenue
New Philadelphia, Ohio 44663
Phone: (330) 308-9939
Fax: (866) 422-3216
Website: www.ecoesc.org

Applicant Contact Information

Application Contact: Nicholas Brown
Title: Director of Technology
Address: 834 East High Avenue
New Philadelphia, Ohio 44663
County: Tuscarawas County
Fax: (866) 422-3216
Email: nic.brown@ecoesc.org

East Central Ohio Educational Service Center

The East Central Ohio Educational Service Center (ECOESC) is well known for providing high quality and cost effective educational opportunities to students and families in nineteen school districts in Belmont, Tuscarawas, Carroll and Harrison counties. These four counties encompass a region in Appalachian Ohio that is economically disadvantaged with a combined median income of \$28,340 with some school districts having 70% of their children receiving free and reduced lunches. The mission of the ESC is to identify, develop and implement services for the purpose of “helping schools help children”. This initiative will strengthen the relationship between the ECOESC, school districts, local government entities, and service agencies and provide an opportunity to expand shared services. The goals of this proposal include reducing costs, enhancing quality of services and increasing collaboration with traditional and nontraditional partners. This initiative will provide funds to assist the ECOESC in offering schools, local, county and state governments and service agencies a more efficient and effective delivery of technology with a cost savings to their agencies.

Tab 2: Collaborative Partners

Collaborative Partners

Collaborative Partner: Kent State University at Tuscarawas
Address: 330 University Drive NE
New Philadelphia, Ohio 44663
Phone: (330) 339-3391
Fax: (330) 339-3321

Kent State University at Tuscarawas will be a collaborative partner in an internship agreement with the East Central Ohio Educational Service Center. Through this internship, Kent State University at Tuscarawas will provide students with sophomore and junior standing that are currently majoring in a computer technology degree program. Students will be attending one of the following classes to be eligible to apply for an internship: Computer Practicum or Internship for Computer Technology. Both classes include an arranged supervised work experience from 50 hours of supervised work in the Computer Practicum class to 150 hours of an unpaid work experience in the Internship for Computer Technology Students class. The ECOESC technology staff will provide instruction to the students who will provide technical assistance to the agencies who call in to utilize the help desk services. Students will receive daily supervision and evaluation by the ECOESC technology staff. On completion of the required internship hours, the student will be evaluated and considered for possible employment by the ECOESC to continue providing technical help desk assistance. Through this partnership with Kent State, it is our goal to have interns staff the help desk Monday through Friday from 8:00a.m. - 4:30p.m.

Tab 3: Project Information

Project Name

S.O.S. – Shared Online Support

**Type of Award**

We are seeking a grant to provide funds for a feasibility study.

Our Problem

The financial challenges facing our schools, local, county and state government agencies and service agencies in our rural Appalachian four county area is staggering. The economic result has ranged from budget cuts to reduced services, to layoffs and program eliminations. Schools, government and service agencies struggle with providing quality technical assistance and training to employees. Through the lack of technical training of employees and funding cut backs, which make outsourcing difficult, these agencies become less efficient and effective as they experience technical problems and don't have the funding or training to fix technical issues quickly.

Our Approach

The East Central Ohio Educational Service Center has gained the support of traditional (schools) and nontraditional partners (governmental and service agencies) to collaborate in a shared service model in the area of technology. The goals are to reduce costs, enhance quality of services in the area of technology by increasing collaboration and training with traditional and nontraditional partners. Funds from the grant will promote efficiency and improve the business environment among entities. The ECOESC will build a central help desk of highly trained technicians, utilizing Information Technology students from Kent State University at Tuscarawas to provide technical assistance and training to employees within the local, county and state agencies. In FY13, the ECOESC staff will study, design and implement a pilot program focusing on Tuscarawas County. The pilot will be evaluated and modified as needed. In FY14, the ESC will replicate the shared service model throughout Belmont, Carroll and Harrison Counties and extend into other regions of the state.

Brief Description

The Shared Online Support (S.O.S.) pilot project will be a collaboration between the East Central Ohio Educational Service Center (ECOESC), Kent State University at Tuscarawas and local, county and state governmental agencies within Tuscarawas County. Our goal is to provide technical assistance to agencies that are currently underserved or not served at all by internal technology staff and/or no longer have the funds to outsource the day-to-day technology needs of their staff.

Lack of technical assistance and training can impose restrictions on the efficiency of staff members who rely on the use of their computer or mobile devices for their jobs. This can have a great impact on the level of service they deliver to the community and local businesses. The S.O.S. project will provide high quality technical assistance in a help desk format to any of these agencies allowing them to lower their overall cost of providing technology to their employees. With the proliferation of mobile users and mobile devices, there is an ever-increasing demand for technical services by these agencies. Additionally, the ECOESC will utilize our existing synchronous and asynchronous learning platform to deliver high quality and effective technical training on a variety of topics to agency employees. This platform will allow training attendees to both see and hear the instructor as well as provide screen sharing capabilities. Training opportunities will be offered monthly and attended virtually from the employees' office. Recent cuts in funding for these agencies has required them to "adapt" and use internal staff without technical training to assist employees or agencies are forced to outsource technical assistance at a very high cost.

With these grant dollars, we will perform a feasibility study with the ECOESC and our government entities within Tuscarawas County to determine if providing technical services in a help desk format can be a cost savings method of sharing such a service. Grant dollars will be used to perform a feasibility study, manage and oversee this project as well as plan how this service will be designed and delivered to agencies.

We will communicate with partner agencies contact information that will allow their employees to contact help desk staff via a toll free telephone number, email, or user initiated session through a web portal. We will utilize our current call center infrastructure to provide the necessary communication tool to adequately handle incoming call volume.

The concept behind Shared Online Support (S.O.S.) is to provide a help desk located at the East Central Ohio Educational Service Center staffed by a “pool” of trained computer technicians who will answer telephone calls and electronic messages from agencies who are interested in this service. Technical support offered through this Level 1 help desk includes:

- Troubleshooting printers
- Internet connection issues
- Email connection issues
- How to perform tasks in various productivity suites and software applications
- Issues relating to mobile devices (i.e., Android tablet, iPad, etc.)

Technicians will assist with issues over the telephone and will have the capability of connecting to the person’s computer or mobile device and assisting them via an online “remote control” system. Technicians can assist with a wide range of technical issues, resulting in a more efficient employee. Incoming service requests will be logged in a trouble ticket database. This will allow a technician to keep detailed notes about the problem and track the amount of time spent on each issue. After hour service requests are automatically captured and logged in the trouble ticket database allowing technicians to assist with these problems the next day. Non-technical employees can focus on the job that they are assigned and in most cases, employees requiring technical assistance can have their issues resolved in a more timely fashion by trained technicians, getting them back on task faster. Additionally, using this method of supporting users, we can now assist users no matter where they are. Many of the people in these agencies often leave their offices to perform fieldwork or for meeting presentations. These people will now have the capability of receiving remote technical assistance wherever they are, as long as they have a connection to the Internet.

To assist us in keeping our costs down and ensuring this project is efficient, we will enter into an internship agreement with Kent State University at Tuscarawas. Through this internship, Kent State University at Tuscarawas will provide students with sophomore and junior standing that are currently majoring in a computer technology degree program. Through this internship, Students will be attending one of the following classes to be eligible to apply for an internship: Computer Practicum or Internship for Computer Technology. Both classes include an arranged supervised work experience from 50 hours of supervised work in the Computer Practicum class to 150 hours of an unpaid work experience in the Internship for Computer Technology Students class. The ECOESC technology staff will provide instruction to the students providing technical assistance to the agencies who call in to utilize the help desk services. Students will receive daily supervision and evaluation by the ECOESC technology staff. On completion of the required internship hours, the student will be evaluated and considered for possible employment by the ECOESC to continue providing technical help desk assistance and training. Through this partnership with Kent State, it is our goal to have interns staff the help desk Monday through Friday from 8:00a.m. - 4:30p.m.

Return on Investment

The expected return on investments lie in three areas; the fiscal area where we can save real dollars, increased quality and efficiency of services by community entities as well as increased positive relationships to ensure potential for future endeavors. Fourteen traditional and non-traditional partners representing 930 full time employees have signed letters of support to pilot help desk services. Listed below are the ROIs that fall into those categories:

- 15% reduction of technology costs for participating agencies
- Higher technology proficiency among employees
- More efficient use of employee time resulting in more effective customer service
- Strengthening of community partnerships with governmental and private entities

Currently, the ECOESC provides technology service to school districts within Carroll and Tuscarawas Counties. Districts that have employed their own technical people have averaged \$123,732.28 in the employment of, on average, 2 people. The ECOESC has saved districts that utilize services similar to project S.O.S., on average, \$67,727.67. Therefore, we believe this project has the potential to save thousands of tax dollars. The goal is to not only include other counties but to replicate this program to local, county, state government and service agencies.

Scalability and Replication

It is the goal of our project, that our efforts to provide technical assistance and training be documented throughout the process for replication in other counties and regions. Through the continued addition of staffing and the growing demand from agencies for help desk support, we will scale and replicate our project to Belmont, Carroll and Harrison Counties. Developing a partnership with Muskingum Valley Educational Service Center and Licking Area Computer Association to extend services to Coshocton, Guernsey, Licking, Morgan, Muskingum, and Perry Counties is also a goal. We currently work collaboratively with these entities on many other projects so the potential to expand this project even further is possible. In year two a small annual subscription fee will be charged to agencies using the help desk.

ESC Successes

The East Central Ohio Educational Service Center is well known for providing high quality, cost effective educational services. Through planning, organizing, and coordinating multiple programs and sites, the center implements procedures to monitor timelines and budgets. The ESC has the expertise of operating an alternative learning opportunity school, nine preschools for disabled children, an Even Start Family Literacy program, educational services to a juvenile psychiatric center, two consortiums that utilize Interactive Video Distance learning. In 2009, the ECOESC secured nearly \$3 million dollars in federal funding for the design, development and delivery of Mandarin Chinese with interactive video conferencing to over 18 school districts across the state of Ohio. In 2011, we received \$250,000 in a Shared Service Collaborative grant with Muskingum Valley ESC focusing on transportation. Additionally, we have also received \$1.3 million dollars in 21st Century CCLC funding to support our afterschool programs. Since 1999, our fiscal department has managed over 10 million dollars in grants with audits showing zero citations or findings.

Facilitation, improved business environment and promote community attraction

The project is a great first step in improving relations and exchange of services between industry and the academic world. The help desk will provide needed services to businesses and service organizations that have been cut or have been unable to purchase technical support due to cuts in funding. Funding from this initiative will make a difference in helping partners with local governments on innovative collaborations and best practices. Leveraging limited resources and boosting or upgrading service delivery for businesses in our communities to provide a cost savings which is a win-win for all involved. The grant will allow the ECOESC to provide Level One tech support to local, county, state government and service agencies that sign on as partners in this collaborative effort. It will bring us closer together with our community as we help them with technology they need and gain partnerships for future opportunities that may develop. The grant also allows us to work closely with the university to provide college students the opportunity to gain hands on training while they operate the helpdesk and then provide possible employment in the future. This ties our name with the university as they talk to prospective students about opportunities to gather on the job training and possible employment while they attend school.

The pilot program will focus on the following municipalities of Tuscarawas County obtained from the 2010 census: Baltic, Barnhill, Bolivar, Dennison, Dover, Gnadenhutten, Midvale, Mineral City, Newcomerstown, New Philadelphia, Port Washington, Roswell, Stonecreek, Strasburg, Sugarcreek, Tuscarawas and Uhrichsville

Supporting Documentation

Tab 4: Financial Information

The S.O.S. budget outlines our expected cost in studying and managing this project. We anticipate the following expenses:

Feasibility Study & Survey	\$30,000
Remote Delivery Software	\$25,000
Project Management	\$40,000
Fiscal Fee & Indirect Costs	\$5,000
Total requested funds	\$100,000

Our feasibility study will consist of surveying each participating agency to ensure that this project will deliver the necessary services that will offer agency satisfaction and program efficiency. It is through this survey, that we will determine which applications and devices are necessary for support across the county. This study will also provide us with information to determine what hours the help desk needs to operate and the expected call volume that we should anticipate as we provide this service to the local, county, state government and service agencies.

The remote delivery software will be used during the study to connect to remote systems and ensure proper delivery of technical assistance and training. The delivery of this service via this method is feasible and the outcome for this delivery method provides the results that we desire for a successful project.

We have **\$24,720.00** in contributions and in-kind services documented on our in-kind disclosure form.

As outlined in our return of investment, the ECOESC currently provides technology services on a smaller scale to school districts. We calculated that we have saved our participating districts a total of \$67,727.67 on average, per year. This service is delivered to a total of 136 full time employees (FTE). This breaks down to about \$498 saved per year, per FTE. For year one, we have support letters showing a total of 930 FTE for this project in year one this would be a growth of 85% over our current levels of support. Assuming we can maintain 85% growth as we continue to bring new agencies on-board, using this calculation, we believe that our estimated savings over the next three years would look like this:

Year One FTE	Rate	Savings
930	\$498.00	\$463,140.00
1720	\$498.00	\$856,560.00
3182	\$498.00	\$1,584,636.00

Project S.O.S. Shared Online Service In-Kind Services

The East Central Ohio Educational Service Center will provide through in-kind contributions through the following materials and services for project S.O.S.:

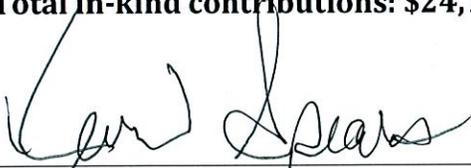
Description	Amount
Office Space (12 Months) 60sq. ft commercial space \$ 14.75/sq ft	\$10,620.00
Internet Access (12 Months) High Speed Access @ \$100.00/month	\$1,200.00
Computer Equipment Each technician will required a computer and monitor.	\$1,500.00
Computer Software Each technician would required software to interface with the call center software. The software used in the tracking and reporting of issues will also be provided in-kind.	\$1,200.00

Additionally, the ECOESC will provide training to the technicians who are utilized for the help desk.

Name: Nicholas Brown
Title: Director of Technology
Rate: \$85.00/hour

It is estimated, that the instruction of technicians will required 6 weeks of training at 20 hours per week. This would be a total of \$10,200.00 in-kind contribution to the S.O.S. project.

Total in-kind contributions: \$24,720.00



ECOESC Representative

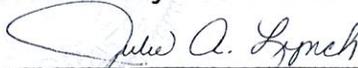
2/29/12

Date

STATE OF OHIO
COUNTY: TUSCARAWAS

On this day, personally appeared before me, Kevin Spears, to me known to be the person described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his voluntary act and deed, for the uses and purposes therein mentioned.

My Commission Expires April 11, 2015



(Notary Public)

Tab 5: Supporting Documentation

Listed below are the 14 traditional and non-traditional partners involved in this pilot representing 930 full-time employees. Signed letters of support from the partners are attached to this proposal.

We have a letter of support from the Director of the Department of Technology at Kent State University at Tuscarawas. We will have a fully executed agreement from Kent State University at Tuscarawas governing board submitted by the April 30, 2012 deadline.

PARTNER AGENCY	ROLES	BENEFITS
ADAMHS Board Alcohol, Drug Addiction and Mental Health Services	Provide employees for technical help and training	Increased technology skills and training for employees
Barnesville Exempted Village School District	Provide employees for technical help and training	Increased technology skills and training for employees
Belmont-Harrison Vocational School District	Provide employees for technical help and training	Increased technology skills and training for employees
East Central Ohio Educational Service Center	Provide training and management of trainees and facility for help desk	Provides collaboration opportunities with university and community. Provides interns to operate help desk
HARCATUS Tri-County C.A.O, Inc	Provide employees for technical help and training	Increased technology skills and training for employees
Harrison County Board of Commissioners	Provide employees for technical help and training	Increased technology skills and training for employees
Kent State University Tuscarawas	Collaborate with ESC and provide students to maintain help desk	Provide internship placement and employment of students
New Philadelphia City Schools	Provide employees for technical help and training	Increased technology skills and training for employees
New Philadelphia City Health District	Provide employees for technical help and training	Increased technology skills and training for employees
Personal & Family Counseling Services	Provide employees for technical help and training	Increased technology skills and training for employees
Tuscarawas County Commissioners	Provide employees for technical help and training	Increased technology skills and training for employees
Tuscarawas County Health Department	Provide employees for technical help and training	Increased technology skills and training for employees
Union Local Board of Education	Provide employees for technical help and training	Increased technology skills and training for employees
Village of Midvale	Provide employees for technical help and training	Increased technology skills and training for employees



*East Central Ohio
Educational Service Center*

834 East High Avenue • New Philadelphia, Ohio 44663
330.308.9939 • fax 330.313.3645 • www.ecoesc.org

Kevin Spears, Superintendent
kevin.spears@ecoesc.org

Julie Lynch, Treasurer
julie.lynch@ecoesc.org

... Helping schools help children in Tuscarawas, Carroll, Harrison, and Belmont Counties ...

February 24, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The East Central Ohio Educational Service Center (ECOESC) is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

Both the East Central Ohio ESC governing board and the ECOESC senior leadership staff are proud to support this shared services grant proposal. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. Thank you for the opportunity and support.

Sincerely,

Kevin Spears
Superintendent, ECOESC

Sincerely,

Julie Lynch
Treasurer, ECOESC



*East Central Ohio
Educational Service Center*

834 East High Avenue • New Philadelphia, Ohio 44663
330.308.9939 • fax 330.313.3645 • www.ecoesc.org

Kevin Spears, Superintendent
kevin.spears@ecoesc.org

Julie Lynch, Treasurer
julie.lynych@ecoesc.org

... Helping schools help children in Tuscarawas, Carroll, Harrison, and Belmont Counties ...

February 24, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The East Central Ohio Educational Service Center (ECOESC) Governing Board is writing this letter in support of the ECOESCs participation in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. This shared collaborative will create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will support these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

The East Central Ohio ESC governing board is proud to support this shared services grant proposal. The project represents a significant opportunity for transformational improvement in Southeast Ohio. Thank you for the opportunity.

Sincerely,

Terry Miller
ECOESC Governing Board, President

**KENT STATE**
UNIVERSITY
TUSCARAWAS

February 29, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

Kent State University at Tuscarawas is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,



Susan C. Hoffman
Computer Technology Program Coordinator

Supporting Your Journey To Wellness



Alcohol, Drug Addiction and Mental Health Services

1260 Monroe St. NW, Suite 27N
P.O. Box 6217
New Philadelphia, Ohio 44663
Tuscarawas County: 330-364-6488
Carroll County : 330-627-7912
Fax: 330-364-3307

<http://adamhtc.org> office@adamhtc.org

February 8, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Alcohol, Drug Addiction and Mental Health Services Board of Tuscarawas and Carroll Counties is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Dotts". The signature is stylized and cursive.

Michael Dotts

Special Projects Manager

Barnesville Exempted Village School District

BARNESVILLE, OHIO 43713

Superintendent
210 West Church Street
740-425-3615
Fax 740-425-5000

Special Education Department
210 West Church Street
740-425-3912
Fax 740-425-3799

Treasurer
210 West Church Street
740-425-3615
Fax 740-425-5000

February 14, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

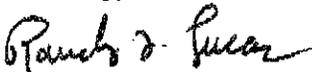
Dear Ms. Schmenk,

The Barnesville Exempted Village School District is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,



Randy J. Lucas, Superintendent
Barnesville Exempted Village School District

High School Principal
910 Shamrock Drive
740-425-3617
Fax 740-425-9254

Middle School Principal
970 Shamrock Drive
740-425-3116
Fax 740-425-9204

Elementary Principal
210 West Church Street
740-425-3639
Fax 740-425-1136

BELMONT-HARRISON VOCATIONAL SCHOOL DISTRICT

Belmont Career and Technical Center
 110 Fox-Shannon Place
 St. Clairsville, Ohio 43950-8751
 (740) 695-9130
 Fax (740) 695-5340
 Fax (740) 695-5330

110 Fox-Shannon Place
 St. Clairsville, Ohio 43950
 (740) 695-9130

Richard Schoene, *Superintendent*
 Mark Lucas, *Treasurer*

Harrison Career and Technical Center
 82500 Cadiz-Jewett Road
 Cadiz, Ohio 43907-9427
 (740) 942-2148
 Fax (740) 695-4866

February 21, 2012

Ms. Christiane Schmenk, Director
 Local Government Innovation Council Chairperson
 Ohio Department of Development
 77 South High Street
 Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Belmont Harrison Vocational School District is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,



Richard Schoene
 Superintendent

Barnesville Exempted Village School District
 Bellaire City School District
 Bridgeport Exempted Village School District
 Harrison Hills City School District
 Martins Ferry City School District



"An Equal Opportunity Employer"

St. Clairsville-Richland City School District
 St. Johns School District
 Shadyside Local School District
 Union Local School District



Harrison County
Board of County Commissioners
100 West Market Street
Cadiz OH 43907
(740) 942-1623 / (740) 942-4090 fax
commissioners34@frontier.com

William Host, Chairman
Don R. Bethel
Barbara Pincola

Brandi Burton, Clerk
Shirley Gilbert, Asst. Clerk

February 15, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Harrison County Board of County Commissioners is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

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Sincerely,

William Host, Chairman

Don R. Bethel

Barbara Pincola

HARCATUS TRI-COUNTY C.A.O., INC.

February 15, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

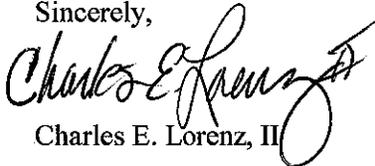
Dear Ms. Schmenk,

Harcatus Tri-County C.A.O., Inc is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,



Charles E. Lorenz, II
Executive Director

Enclosure:

NEW PHILADELPHIA CITY SCHOOLS

248 FRONT AVE SW ♦ NEW PHILADELPHIA, OHIO 44663-2150

PHONE 330-364-0600 ♦ FAX 330-364-9310

www.npschools.org

SUPERINTENDENT

Bob Alsept

330-364-0600

ASSISTANT SUPERINTENDENT

Debra J. Kennedy

330-364-0600

TREASURER

Steven D. Sherer

330-364-0600

SPECIAL SERVICES DIRECTOR

Maureen O. Wittler

330-364-0613

Continuing the Tradition of Achievement, Commitment, and Excellence!

February 8, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The New Philadelphia City Schools district is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

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Sincerely,



Bob Alsept
Superintendent

NEW PHILADELPHIA HIGH SCHOOL
343 Ray Avenue NW
330-364-0644

CENTRAL ELEMENTARY
145 Ray Ave. NW
330-364-0700

EAST ELEMENTARY
470 Fair Ave. NE
330-364-0715

SOUTH ELEMENTARY
132 Providence Ave. SW
330-364-0725



WELTY MIDDLE SCHOOL
315 Fourth Street NW
330-364-0645

WEST ELEMENTARY
232 Tuscarawas Ave. NW
330-364-0755

YORK ELEMENTARY
938 Stonecreek Road SW
330-364-0770

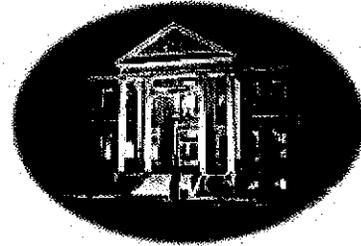
New Philadelphia City Health District

John Knisely Municipal Centre

150 East High Avenue, Suite 011

New Philadelphia, Ohio 44663

330/364-4491 x208 330/364-8830 fax



February 13, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The New Philadelphia City Health Department is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,

Vickie Ionno RN, Health Commissioner



MARILYN HENRY, M.A., MSSA, LISW
President/CEO

1433 Fifth Street N.W.
New Philadelphia, Ohio 44663

Telephone: 330-343-8171

Fax: 330-343-8439

pfcs@pfcs1.org

www.personal-family-counseling.com

February 16, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

Personal & Family Counseling Services of Tuscarawas Valley, Inc. is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,

Marilyn L. Henry



Strasburg-Franklin Local Schools

140 North Bodmer Avenue
Strasburg, Ohio 44680

"Excellence
in
Education"



ADMINISTRATION

Telephone
330-878-5571
Fax 330-878-7900

HIGH SCHOOL

Telephone
330-878-5571
Fax 330-878-9921

ELEMENTARY

Telephone
330-878-6503
Fax 330-878-5983

February 8, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

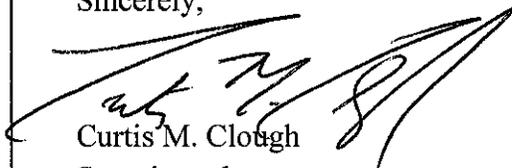
Dear Ms. Schmenk,

The Strasburg-Franklin Local School District is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

We realize we need to think differently about how we can partner, share services and work together. This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving our discussions forward into action.

We encourage the Department of Development to look favorably on the application from the East Central Ohio Educational Service Center Shared Service Project. The project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently. We are looking forward to partnering with the East Central Ohio Educational Service Center on this project.

Sincerely,



Curtis M. Clough
Superintendent

TUSCARAWAS COUNTY COMMISSIONERS

125 East High Avenue, Room 205
New Philadelphia, Ohio 44663
(330) 365-3240

Chris Abbuhl
Kerry Metzger
Jim Seldenright

Jane Clay
Clerk

Crystal DiGenova
Administrative Assistant

February 23, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Tuscarawas County Commissioners are proud to support the application from the East Central Ohio Educational Service Center for the Shared Service Project. This project represents a significant opportunity for transformational improvement in Southeast Ohio where we are looking at doing business differently.

This Shared Service Collaboration will create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community.

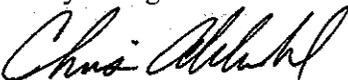
We realize we need to think differently about how we can partner, share services and work together and will participate where feasible as long as there is no commitment of funding from the County.

This collaboration of multiple entities will provide a way to do business more effectively and efficiently to save time and money in the service delivery of technology. This initiative will provide the forum for moving discussions forward into action.

Sincerely,

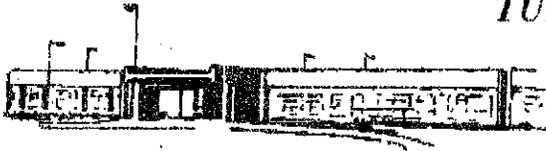

Jim Seldenright


Kerry Metzger


Chris Abbuhl

Escape
Experience
Enjoy

TUSCARAWAS COUNTY HEALTH DEPARTMENT



897 East Iron Avenue, P.O. Box 443

Dover, Ohio 44622-2030

Fax#: (330) 343-1601

Web page: www.tuschealth.org

Main Office: (330) 343-5555 or 1-800-860-8302
 Family Planning or Dental: (330) 364-5718
 Well Child or Family Practice: (330) 364-4979

Environmental Health
 (330) 343-5550

February 8, 2012

Ms. Christiane Schmenk, Director
 Local Government Innovation Council Chairperson
 Ohio Department of Development
 77 South High Street
 Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Tuscarawas County Health Department is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

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Sincerely,

Linda J. Fanning, Executive Director

Linda J. Fanning
 Executive Director

James G. Hubert, D.O., M.S.
 Health Commissioner

Daniel S. Blumer, D.O.
 Medical Director

BOARD MEMBERS

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Jeri Middaugh, Vice President	David Miller
Milan Packovich, M.D.	Michael A. Cochran
James O. Brick, D.V.M.	

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Tuscarawas Valley Local Schools

Mark A. Murphy, Superintendent
Michael F. Robinson, Treasurer

2637 Tuscarawas Valley Rd NE
Zoarville, OH 44656-9692
330-859-2213 Fax: 330-859-2706

February 17, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Tuscarawas Valley Local School District is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

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Sincerely,

Mark A. Murphy
Superintendent

Tuscarawas Valley Primary School
8847 First St NE / PO Box 428
Mineral City, OH 44656
330-859-2461 Fax: 330-859-8885

Tuscarawas Valley Intermediate School
216 Park Avenue
Bolivar, OH 44612
330-874-3234 Fax: 330-859-8875

Tuscarawas Valley Middle School
2633 Tusky Valley Rd NE
Zoarville, OH 44656
330-859-2427 Fax: 330-859-8845

Tuscarawas Valley High School
2637 Tusky Valley Rd NE
Zoarville, OH 44658
330-859-2421 Fax: 330-859-8885



UNION LOCAL BOARD OF EDUCATION

H. KIRK GLASGOW, SUPERINTENDENT



February 8, 2012

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Union Local School District is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

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Sincerely,



H. Kirk Glasgow
Superintendent

"Excellence in Education is a LOCAL Thing"

66779 Belmont-Morristown Rd. Belmont, Ohio 43718

Phone: (740) 782-1978

Fax: (740) 782-1212

www.ulschools.com

"Rated an EFFECTIVE District by the Ohio Department of Education"

**VILLAGE OF MIDVALE
3111 BARNHILL ROAD
PO BOX 227
MIDVALE OHIO 44653**

PHONE: 339-339-1939

FAX: 330-339-8986

February 8, 2012

VERA WILSON, MAYOR

KAREN S DANIELS, FISCAL OFFICER

Ms. Christiane Schmenk, Director
Local Government Innovation Council Chairperson
Ohio Department of Development
77 South High Street
Columbus, Ohio 43216-1001

Dear Ms. Schmenk,

The Village of Midvale is proud to support and be a partner in the Local Government Innovation Fund grant submitted to the Ohio Department of Development. We will work closely with the Shared Service Collaborative to create and expand opportunities on existing services to save resources, create services, and expand choices that are available to schools, government entities and our community. We will play a significant role in helping to create, support and sustain these shared services in the delivery of technology.

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Sincerely,



Vera S Wilson, Mayor

Village of Midvale

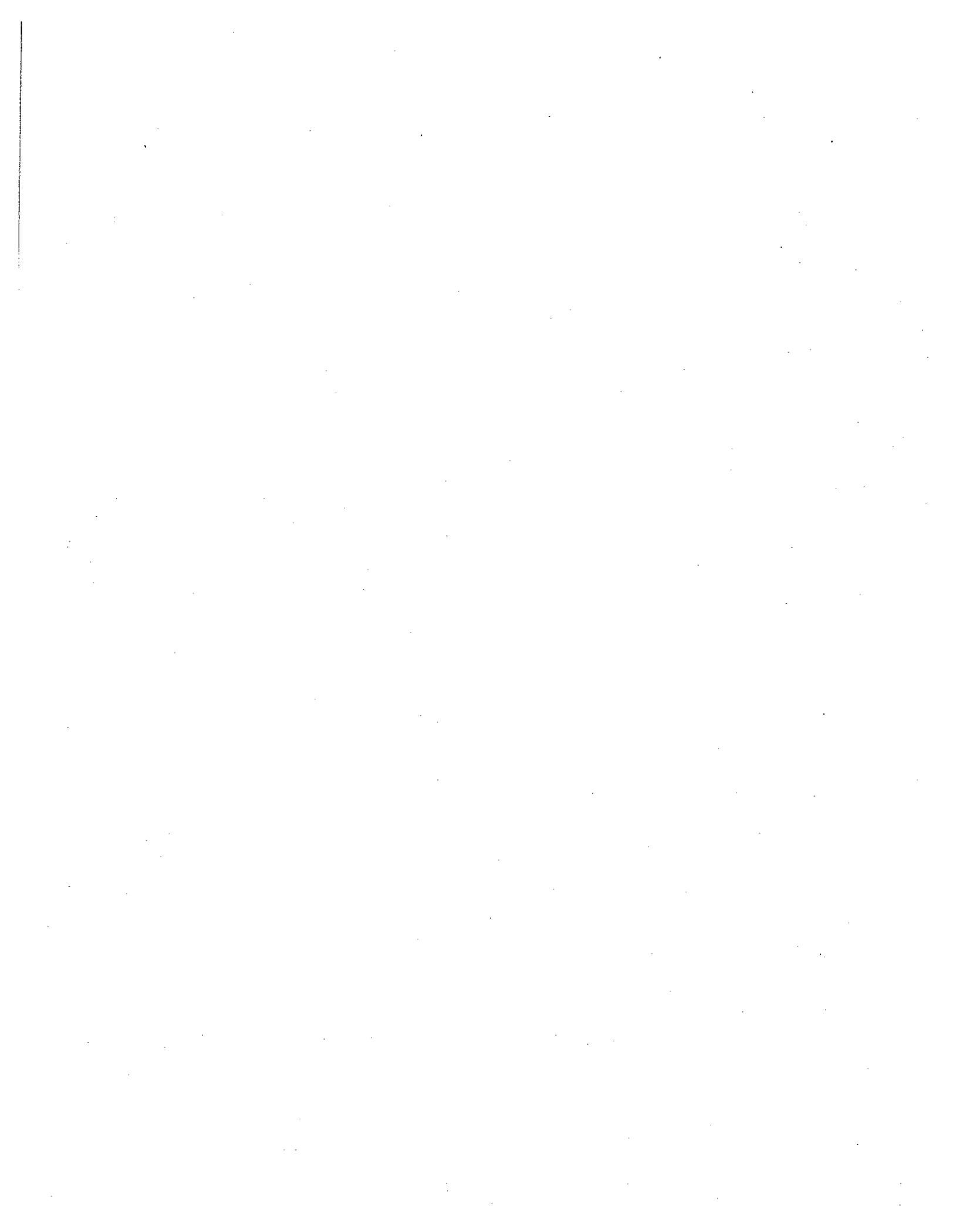
**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010



Dave Yost • Auditor of State



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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2011, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Dave Yost
Auditor of State

March 7, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the East Central Ohio Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased \$36,534 which represents a 2.40% decrease from 2009.
- General revenues accounted for \$1,798,794 in revenue or 20.81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,846,865 or 79.19% of total revenues of \$8,645,659.
- The ESC had \$8,682,193 in expenses related to governmental activities; \$6,846,865 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$1,798,794 were not adequate to provide for these programs.
- The ESC's only major governmental fund is the general fund. The general fund had \$7,867,362 in revenues and \$8,089,041 in expenditures. During fiscal year 2010, the general fund's fund balance decreased \$221,679 from \$805,294 to \$583,615.

Using these Basic Financial Statements

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

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

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental fund begins on page 10. Fund financial reports provide detailed information about the ESC's major fund. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's only major governmental fund is the general fund.

Governmental Funds

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

Reporting the ESC's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-41 of this report.

Supplementary Information

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The ESC as a Whole

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

The table below provides a summary of the ESC's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 1,631,199	\$ 1,385,986
Capital assets, net	<u>1,637,892</u>	<u>1,642,695</u>
Total assets	<u>3,269,091</u>	<u>3,028,681</u>
<u>Liabilities</u>		
Current liabilities	841,510	494,400
Long-term liabilities	<u>941,195</u>	<u>1,011,361</u>
Total liabilities	<u>1,782,705</u>	<u>1,505,761</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,032,411	957,636
Restricted	63,570	15,984
Unrestricted	<u>390,405</u>	<u>549,300</u>
Total net assets	<u>\$ 1,486,386</u>	<u>\$ 1,522,920</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the ESC's assets exceeded liabilities by \$1,486,386. Of this total, \$390,405 is unrestricted in use.

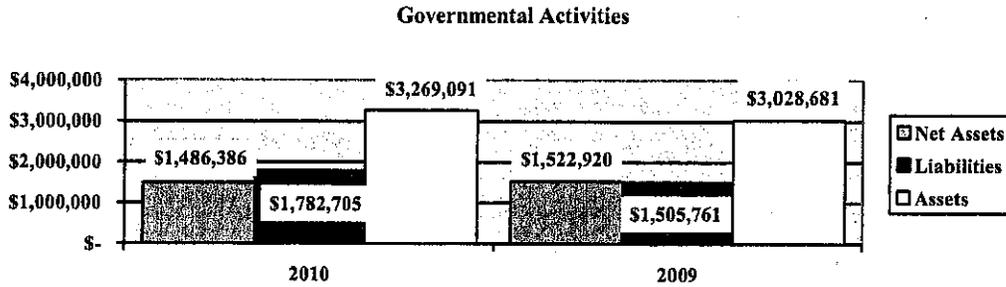
At year-end, capital assets represented 50.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$1,032,411. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$63,570, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$390,405 may be used to meet the ESC's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's assets, liabilities and net assets for fiscal years 2010 and 2009.



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 6,155,715	\$ 5,076,552
Operating grants and contributions	691,150	124,075
General revenues:		
Grants and entitlements	1,751,730	1,266,014
Investment earnings	6,047	8,662
Other	41,017	-
Total revenues	<u>8,645,659</u>	<u>6,475,303</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Change in Net Assets

	<u>Governmental Activities 2010</u>	<u>Governmental Activities 2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 668,056	\$ 506,129
Special	1,335,630	778,504
Vocational	-	10
Other	38,158	34,992
Support services:		
Pupil	2,411,631	1,824,047
Instructional staff	2,925,677	2,029,459
Board of education	24,472	19,319
Administration	483,235	325,007
Fiscal	202,847	201,988
Business	169,526	135,414
Operations and maintenance	176,837	181,304
Pupil transportation	14,156	10,158
Central	200,171	228,823
Interest and fiscal charges	<u>31,797</u>	<u>17,217</u>
Total expenses	<u>8,682,193</u>	<u>6,292,371</u>
Change in net assets	(36,534)	182,932
Net assets at beginning of year	<u>1,522,920</u>	<u>1,339,988</u>
Net assets at end of year	<u>\$ 1,486,386</u>	<u>\$ 1,522,920</u>

Governmental Activities

Net assets of the ESC's governmental activities decreased \$36,534. Total governmental expenses of \$8,682,193 were offset by program revenues of \$6,846,865 and general revenues of \$1,798,794. Program revenues supported 78.86% of the total governmental expenses.

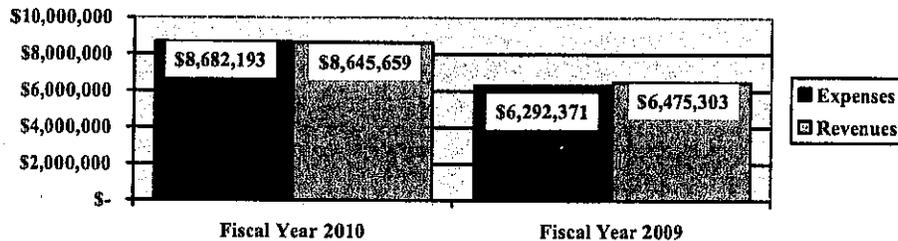
The primary sources of revenue for governmental activities are derived from charges for services and sales. This revenue source represents 71.20% of total governmental revenue. Overall revenues and expenses increased during 2010 as a result of an increased number of staff and school district contracts due to the merger with the Belmont County Educational Service Center.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the ESC's governmental activities revenue and expenses for fiscal year 2010 and 2009.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 668,056	\$ 373,754	\$ 506,129	\$ 447,239
Special	1,335,630	44,149	778,504	(119,868)
Vocational	-	-	10	10
Other	38,158	38,158	34,992	34,992
Support services:				
Pupil	2,411,631	287,101	1,824,047	(91,893)
Instructional staff	2,925,677	169,726	2,029,459	(19,996)
Board of education	24,472	24,472	19,319	18,319
Administration	483,235	121,125	325,007	58,373
Fiscal	202,847	202,847	201,988	201,988
Business	169,526	169,526	135,414	135,414
Operations and maintenance	176,837	161,346	181,304	173,968
Pupil transportation	14,156	14,156	10,158	10,158
Central	200,171	197,171	228,823	225,823
Interest and fiscal charges	<u>31,797</u>	<u>31,797</u>	<u>17,217</u>	<u>17,217</u>
Total expenses	<u>\$ 8,682,193</u>	<u>\$ 1,835,328</u>	<u>\$ 6,292,371</u>	<u>\$ 1,091,744</u>

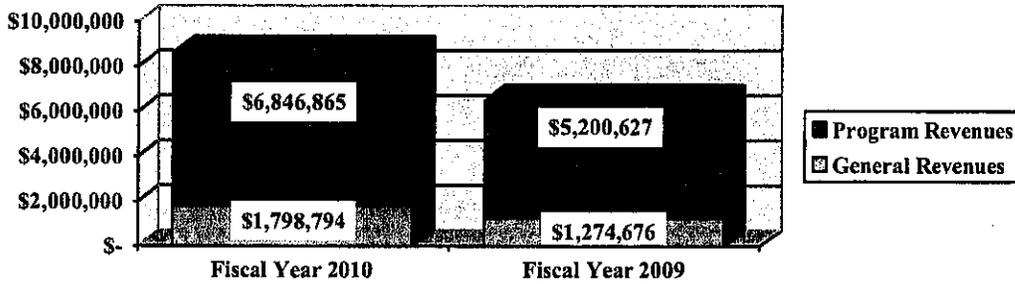
For all governmental activities, general revenue support is 21.14%. The primary support of the ESC is program revenues, charges for services, from Districts to which the ESC provides services.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the ESC's governmental activities revenue for fiscal year 2010 and 2009.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance of \$827,631, which is higher than last year's total of \$821,278. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 583,615	\$ 805,294	\$ (221,679)	(27.53) %
Other Governmental	<u>27,900</u>	<u>15,984</u>	<u>11,916</u>	74.55 %
Total	<u>\$ 611,515</u>	<u>\$ 821,278</u>	<u>\$ (209,763)</u>	(25.54) %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

General Fund

The ESC's general fund balance decreased by \$6,578. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Tuition	\$ 2,321,776	\$ 1,951,760	\$ 370,016	18.96 %
Earnings on investments	6,047	8,662	(2,615)	(30.19) %
Contract services	3,746,792	3,070,298	676,494	22.03 %
Other revenues	41,017	-	41,017	100.00 %
Intergovernmental	<u>1,751,730</u>	<u>1,266,014</u>	<u>485,716</u>	38.37 %
Total	<u>\$ 7,867,362</u>	<u>\$ 6,296,734</u>	<u>\$ 1,570,628</u>	24.94 %
<u>Expenditures</u>				
Instruction	\$ 1,747,463	\$ 1,215,151	\$ 532,312	43.81 %
Support services	6,230,203	4,806,881	1,423,322	29.61 %
Facilities acquisition and construction	-	56,897	(56,897)	(100.00) %
Debt service	<u>111,375</u>	<u>66,200</u>	<u>45,175</u>	68.24 %
Total	<u>\$ 8,089,041</u>	<u>\$ 6,145,129</u>	<u>\$ 1,943,912</u>	31.63 %

Interest revenue decreased 30.19% due to lower interest rates earned on investments compared to the prior year. Debt service expenditures increased due to the ESC restructuring their capital lease in 2010. Facilities acquisition and construction expenditures decreased due to the addition of a storage building in fiscal year 2009. All other revenues and expenditures increased due to the merger with Belmont County Educational Service Center during the fiscal year.

Debt Administration and Capital Assets

Debt Administration

At June 30, 2010, the ESC had \$479,674 in capital lease obligations and \$125,807 in a lease purchase agreement outstanding. Of this total, \$83,189 is due within one year and \$522,292 is due in greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The following table summarizes the loans and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
Capital lease obligation	\$ 479,674	\$ 538,286
Lease purchase agreement	<u>125,807</u>	<u>146,773</u>
Total	<u>\$ 605,481</u>	<u>\$ 685,059</u>

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

Capital Assets

At the end of fiscal year 2010, the ESC had \$1,637,892 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2010 balances compared to 2009:

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

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Land	\$ 22,360	\$ 22,360
Land improvements	45,093	49,838
Building and improvements	1,372,054	1,435,953
Furniture and equipment	163,035	127,044
Vehicles	<u>35,350</u>	<u>7,500</u>
Total	<u>\$ 1,637,892</u>	<u>\$ 1,642,695</u>

The overall decrease in capital assets of \$4,803 is due to disposals of capital assets of \$53,508 exceeding the disposal of accumulated depreciation of \$32,060 even though capital outlays of \$120,520 exceeded depreciation expense of \$103,875 in the fiscal year.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Financial Related Activities

Overall, the ESC is financially stable. As the preceding information shows, the ESC relies heavily on contracts with local, city, exempted village school districts and other entities within the four county area, State foundation revenue, customer service receipts, and grants. Discretionary contracts with districts are expected to remain the same through fiscal year 2011. District contracts, along with the ESC's cash balance will provide the necessary funds to meet its operating expenses in fiscal year 2011. However, the ESC anticipates an increase in contracts for special education services and classroom support due to the receipt of American Recovery and Reinvestment Act funds by the districts.

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

- 1.) Continued legislative efforts to realign Ohio's Regional Educational Delivery System and the implementation of that system by the Ohio Department of Education. At this point, the ESC is unable to determine what effect this legislation will have on future State funding and on its financial operations, however it is assumed that this system will directly affect the ESC's and the method used to fund the ESC. The State is also looking at what need the ESC's in the State of Ohio fill and should that need be expanded.
- 2.) A continuing challenge the ESC faces is to continue to provide their school districts with the most innovative and current ideas in classroom technology in a manner that is cost effective to districts that are already faced with financial difficulties.
- 3.) Effective August 1, 2009 the East Central Ohio ESC completed a merger with the Belmont County Educational Service Center. As the ESC moves forward into the coming year, we need to identify the needs of the school districts in Belmont County and determine how the ESC can help meet those needs through workshops, program development, and staffing.

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

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the ESC's 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. Julie A. Lynch, Treasurer, East Central Ohio Educational Service Center, 834 E. High Avenue, New Philadelphia, Ohio 44663.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 1,396,711
Receivables:	
Intergovernmental	225,161
Loans	9,327
Capital assets:	
Land	22,360
Depreciable capital assets, net	1,615,532
Capital assets, net	1,637,892
Total assets.	3,269,091
 Liabilities:	
Accounts payable	1,214
Accrued wages and benefits	729,786
Pension obligation payable	92,036
Intergovernmental payable	18,474
Long-term liabilities:	
Due within one year	139,071
Due in more than one year	802,124
Total liabilities.	1,782,705
 Net Assets:	
Invested in capital assets, net of related debt	1,032,411
Restricted for:	
Locally funded programs	39,346
State funded programs	15
Federally funded programs	24,209
Unrestricted	390,405
Total net assets.	\$ 1,486,386

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales		
Governmental activities:				
Instruction:				
Regular	\$ 668,056	\$ -	\$ 294,302	\$ (373,754)
Special	1,335,630	1,269,088	22,393	(44,149)
Other	38,158	-	-	(38,158)
Support services:				
Pupil	2,411,631	2,101,936	22,594	(287,101)
Instructional staff	2,925,677	2,433,250	322,701	(169,726)
Board of education	24,472	-	-	(24,472)
Administration	483,235	351,441	10,669	(121,125)
Fiscal	202,847	-	-	(202,847)
Business	169,526	-	-	(169,526)
Operations and maintenance	176,837	-	15,491	(161,346)
Pupil transportation	14,156	-	-	(14,156)
Central	200,171	-	3,000	(197,171)
Interest and fiscal charges	31,797	-	-	(31,797)
Totals	\$ 8,682,193	\$ 6,155,715	\$ 691,150	(1,835,328)
General Revenues:				
Grants and entitlements not restricted				
to specific programs 1,751,730				
Investment earnings 6,047				
Miscellaneous 41,017				
Total general revenues 1,798,794				
Change in net assets (36,534)				
Net assets at beginning of year 1,522,920				
Net assets at end of year \$ 1,486,386				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,345,854	\$ 50,857	\$ 1,396,711
Receivables:			
Intergovernmental	204,442	20,719	225,161
Interfund loans	18,676	-	18,676
Loans	9,327	-	9,327
Total assets.	<u>\$ 1,578,299</u>	<u>\$ 71,576</u>	<u>\$ 1,649,875</u>
Liabilities:			
Accounts payable	\$ 1,034	\$ 180	\$ 1,214
Accrued wages and benefits.	726,143	3,643	729,786
Interfund loans payable.	-	18,676	18,676
Intergovernmental payable	18,384	90	18,474
Pension obligation payable	91,668	368	92,036
Deferred revenue	157,455	20,719	178,174
Total liabilities.	<u>994,684</u>	<u>43,676</u>	<u>1,038,360</u>
Fund Balances:			
Reserved for encumbrances	-	23,172	23,172
Unreserved, undesignated, reported in:			
General fund.	583,615	-	583,615
Special revenue funds	-	4,728	4,728
Total fund balances.	<u>583,615</u>	<u>27,900</u>	<u>611,515</u>
Total liabilities and fund balances.	<u>\$ 1,578,299</u>	<u>\$ 71,576</u>	<u>\$ 1,649,875</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010**

Total governmental fund balances		\$ 611,515
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,637,892
Other long-term assets, such as intergovernmental receivables, are not available to pay for current-period expenditures and therefore are deferred in the funds.		178,174
Long-term liabilities, are not due and payable in the current period therefore are not reported in the funds.		
Compensated absences payable	\$ 335,714	
Capital lease obligation	479,674	
Lease-purchase agreement	<u>125,807</u>	
Total		<u>(941,195)</u>
Net assets of governmental activities		<u><u>\$ 1,486,386</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Tuition	\$ 2,321,776	\$ -	\$ 2,321,776
Earnings on investments	6,047	-	6,047
Contributions and donations	-	29,035	29,035
Contract services	3,746,792	-	3,746,792
Other local revenues	41,017	-	41,017
Intergovernmental - State	1,751,730	48,709	1,800,439
Intergovernmental - Federal	-	592,687	592,687
Total revenue	<u>7,867,362</u>	<u>670,431</u>	<u>8,537,793</u>
Expenditures:			
Current:			
Instruction:			
Regular	382,681	302,645	685,326
Special	1,326,624	18,375	1,344,999
Other	38,158	-	38,158
Support services:			
Pupil	2,368,245	25,363	2,393,608
Instructional staff	2,617,128	285,400	2,902,528
Board of education	24,472	-	24,472
Administration	414,920	11,021	425,941
Fiscal	204,228	-	204,228
Business	205,849	-	205,849
Operations and maintenance	184,122	12,711	196,833
Pupil transportation	14,156	-	14,156
Central	197,083	3,000	200,083
Debt service:			
Principal retirement	79,578	-	79,578
Interest and fiscal charges	31,797	-	31,797
Total expenditures	<u>8,089,041</u>	<u>658,515</u>	<u>8,747,556</u>
Net change in fund balances	(221,679)	11,916	(209,763)
Fund balances at beginning of year	805,294	15,984	821,278
Fund balances at end of year	<u>\$ 583,615</u>	<u>\$ 27,900</u>	<u>\$ 611,515</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net change in fund balances - total governmental funds **\$ (209,763)**

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

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

Capital asset additions	\$	120,520	
Current year depreciation		<u>(103,875)</u>	
Total			16,645

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (21,448)

Revenues in the statement of activities, such as contract service revenue, that do not provide current financial resources are not reported as revenues in the funds. 107,866

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 79,578

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. (9,412)

Change in net assets of governmental activities **\$ (36,534)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 406,101
Receivables:	
Intergovernmental	94,782
Total assets.	\$ 500,883
 Liabilities:	
Accrued wages and benefits	\$ 2,512
Pension obligation payable	2,488
Loans payable	9,327
Intergovernmental payable	64,399
Undistributed monies	351,976
Due to students	70,181
Total liabilities.	\$ 500,883

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The East Central Ohio Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio and as defined by Section 3313.01 of the Ohio Revised Code. The ESC is a result of the August 1, 2009, merger of the Tuscarawas-Carroll-Harrison Educational Service Center and the Belmont County Educational Service Center, under the authority of the Ohio Revised Code Section 3311.057 and resolutions made by the Governing Boards (see Note 17 for detail on the merger).

The ESC operates under an elected seven-member Governing Board. This Board acts as the authorizing body for expenditures, policy and procedures and approves all financial activities. The ESC supplies supervisory, administrative and other needed services to participating school districts. The ESC is staffed by 77 non-certified employees and 123 certified employees to provide services to approximately 19,925 students in 15 districts throughout Tuscarawas, Carroll, Harrison and Belmont counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the ESC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The ESC also applies Financial Accounting Standards Board (FASB) 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's significant accounting policies are described below.

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

JOINTLY GOVERNED ORGANIZATION

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

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

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

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

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

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

INSURANCE PURCHASING POOLS

Workers' Compensation Group Rating Program

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Ohio School Plan

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

RISK SHARING POOL

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

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the ESC are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

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

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

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

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

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

E. Cash and Investments

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

During fiscal year 2010, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$6,047, which includes \$403 assigned from other funds.

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

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

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC's capitalization threshold is \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The ESC does not possess infrastructure.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	3 - 10 years

G. Interfund Balances

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

H. Compensated Absences

The ESC reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the ESC will compensate the employees for the benefits through paid time off or some other means. The ESC records a liability for accumulated unused vacation time when earned for those eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the ESC has identified as probable of receiving payment in the future. The liability is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the ESC's termination policy.

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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

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

J. Fund Balance Reserves

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

K. Net Assets

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

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

L. Estimates

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

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The ESC made no interfund transfers during fiscal year 2010.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

A. Change in Accounting Principles

For fiscal year 2010, the ESC has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the ESC.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the ESC.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the ESC.

B. Deficit Fund Balance

Fund balances at June 30, 2010 included the following individual fund deficit:

<u>Nonmajor fund</u>	<u>Deficit</u>
21st century grant and foreign language assistance program	\$ 14,951

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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.

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

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

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

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all ESC deposits was \$1,200,779. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$1,370,756 of the ESC's bank balance of \$1,620,756 was exposed to custodial risk as discussed below, while \$250,000 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.

B. Investments

As of June 30, 2010, the ESC had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$602,033</u>	<u>\$ 602,033</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.

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

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

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

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 602,033	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,200,779
Investments	<u>602,033</u>
Total	<u>\$ 1,802,812</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,396,711
Agency funds	<u>406,101</u>
Total	<u>\$ 1,802,812</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	<u>\$ 9,327</u>

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

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

B. Interfund loans receivable/payable consisted of the following at June 30, 2010, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 18,676</u>

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

NOTE 6 - STATE FUNDING

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of intergovernmental receivables, which include grants and entitlements and excess costs due at fiscal year-end school districts. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of intergovernmental receivables reported on the statement of net assets follows:

Governmental activities:	
Excess costs	\$ 204,442
Handicapped preschool - ARRA	<u>20,719</u>
Total	<u>\$ 225,161</u>

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 22,360	\$ -	\$ -	\$ 22,360
Total capital assets, not being depreciated	<u>22,360</u>	<u>-</u>	<u>-</u>	<u>22,360</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	94,933	-	-	94,933
Buildings and improvements	1,922,598	-	-	1,922,598
Furniture and equipment	366,141	86,013	(45,508)	406,646
Vehicles	24,000	34,507	(8,000)	50,507
Total capital assets, being depreciated	<u>2,407,672</u>	<u>120,520</u>	<u>(53,508)</u>	<u>2,474,684</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(45,095)	(4,745)	-	(49,840)
Buildings and improvements	(486,645)	(63,899)	-	(550,544)
Furniture and equipment	(239,097)	(30,574)	26,060	(243,611)
Vehicles	(16,500)	(4,657)	6,000	(15,157)
Total accumulated depreciation	<u>(787,337)</u>	<u>(103,875)</u>	<u>32,060</u>	<u>(859,152)</u>
Governmental activities capital assets, net	<u>\$ 1,642,695</u>	<u>\$ 16,645</u>	<u>\$ (21,448)</u>	<u>\$ 1,637,892</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 17,237
Special	708

Support services:

Pupil	1,574
Instructional staff	18,006
Administration	57,393
Fiscal	624
Business	8,245
Central	88

Total depreciation expense \$ 103,875

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$1,300,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$422,500, leaving a current book value of \$877,500. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2010 fiscal year totaled \$58,612, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2010.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2011	\$ 90,409
2012	90,409
2013	90,409
2014	90,409
2015	90,409
2016 - 2017	<u>135,615</u>
Total minimum lease payment	587,660
Less: amount representing interest	<u>(107,986)</u>
Present value of minimum lease payments	<u>\$ 479,674</u>

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 10 - LEASE-PURCHASE AGREEMENT

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

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$251,600. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$56,610, leaving a current book value of \$194,990. A corresponding liability was recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$20,966, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2010.

<u>Fiscal Year Ending</u>	<u>Payments</u>
2011	\$ 20,966
2012	20,966
2013	20,966
2014	20,966
2015	20,966
2016	<u>20,977</u>
Present value of minimum lease payments	<u>\$ 125,807</u>

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from Governing Board actions and State laws. Full-time certified and classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated vacation time is paid to eligible employees upon termination of employment. Certified employees who do not work 12 months are not entitled to vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a total of 200 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 45 days. Any employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 12 - LONG-TERM OBLIGATIONS

During fiscal year 2010, the following activity occurred in governmental activities long-term obligations:

	Balance			Balance		Amounts
	Outstanding			Outstanding		Due in
	<u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/10</u>	<u>One Year</u>	
Governmental activities:						
Compensated absences	\$ 326,302	\$ 47,213	\$ (37,801)	\$ 335,714	\$ 55,882	
Capital lease obligation	538,286	-	(58,612)	479,674	62,223	
Lease-purchase agreement	<u>146,773</u>	<u>-</u>	<u>(20,966)</u>	<u>125,807</u>	<u>20,966</u>	
Total long-term obligations, governmental activities	<u>\$ 1,011,361</u>	<u>\$ 47,213</u>	<u>\$ (117,379)</u>	<u>\$ 941,195</u>	<u>\$ 139,071</u>	

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

NOTE 13 - RISK MANAGEMENT

A. Comprehensive Insurance

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the ESC contracted with Westfield Insurance Company for commercial property insurance based on information provided by Valuation Engineers, Inc., with a \$500 deductible limit per year.

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

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

B. Workers' Compensation

For fiscal year 2010, the ESC participated in the OASBO/CompManagement, Inc. Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Health Care Benefits

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

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$184,525, \$102,022 and \$111,129, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 14 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2010, 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, 2010, 2009 and 2008 were \$519,268, \$451,465 and \$469,979, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$21,861 made by the ESC and \$30,606 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, 2010, certain members of the Governing Board have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

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TUSCARAWAS COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$23,824, \$67,657 and \$69,176, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$10,973, \$8,418 and \$8,007, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$39,944, \$34,728 and \$36,152, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - MERGER

Effective August 1, 2009, the Tuscarawas-Carroll-Harrison Educational Service Center (ESC) merged with the Belmont County Educational Service Center (ESC) in accordance with the provisions of Ohio Revised Code Section 3311.057 and resolutions made by the Governing Boards. The newly formed educational service center was named the East Central Ohio Educational Service Center. The funds of the Belmont County ESC upon the merger have been reported in other local revenues and miscellaneous revenues in the fund financial statements and the statement of activities, respectively. Legal title to all property of the Tuscarawas-Carroll-Harrison ESC and the Belmont County ESC were to become vested in the Governing Board of the East Central Ohio ESC. The Belmont County ESC did not have any capital assets or long-term debt obligations that were transferred to the East Central Ohio ESC upon the merger.

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**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, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition	\$ 2,314,870	\$ 2,321,776	\$ 2,321,776	\$ -
Earnings on investments	11,503	6,047	6,047	-
Contract services	3,101,528	3,874,030	3,874,030	-
Other local revenues	-	41,017	41,017	-
Intergovernmental - State	1,854,125	1,751,730	1,751,730	-
Total revenue	<u>7,282,026</u>	<u>7,994,600</u>	<u>7,994,600</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	392,829	372,233	372,233	-
Special	1,135,701	1,239,343	1,239,343	-
Other	56,624	36,800	36,800	-
Support services:				
Pupil	2,309,619	2,273,041	2,273,041	-
Instructional staff	2,497,826	2,491,696	2,491,696	-
Board of education	33,966	24,436	24,436	-
Administration	376,812	400,342	400,342	-
Fiscal	221,213	200,096	200,096	-
Business	163,950	205,399	205,399	-
Operations and maintenance	189,811	183,314	183,314	-
Pupil transportation	9,460	14,122	14,122	-
Central	228,143	194,015	194,015	-
Debt service:				
Principal retirement	79,577	79,577	79,577	-
Interest and fiscal charges	31,798	31,798	31,798	-
Total expenditures	<u>7,727,329</u>	<u>7,746,212</u>	<u>7,746,212</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(445,303)	248,388	248,388	-
Other financing uses:				
Advances out	-	(28,003)	(28,003)	-
Total other financing uses	<u>-</u>	<u>(28,003)</u>	<u>(28,003)</u>	<u>-</u>
Net change in fund balance	(445,303)	220,385	220,385	-
Fund balance at beginning of year	1,120,469	1,120,469	1,120,469	-
Fund balance at end of year	<u>\$ 675,166</u>	<u>\$ 1,340,854</u>	<u>\$ 1,340,854</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund 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 schedule of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

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**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

4. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
5. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

	<u>General</u>
Budget basis	\$ 220,385
Net adjustment for revenue accruals	(127,238)
Net adjustment for expenditure accruals	(342,829)
Net adjustment for other sources/(uses)	<u>28,003</u>
GAAP basis	<u>\$ (221,679)</u>

**EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
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**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>(Passed Through the Ohio Department of Education)</i>				
Even Start State Educational Agencies	2010	84.213	\$149,675	\$162,724
Even Start State Educational Agencies	2009	84.213	64,000	61,572
<i>Total Even Start State Educational Agencies</i>			<u>213,675</u>	<u>224,296</u>
Special Education Cluster:				
Special Education - Preschool Grants Professional Development	2010	84.173	3,825	3,825
Special Education - Preschool Grants (IDEA Preschool)	2010	84.173	72,192	68,702
Special Education - Preschool Grants (IDEA Preschool)	2009	84.173	0	100
ARRA - Special Education - Preschool Grants (IDEA Preschool)		84.392	37,618	37,618
<i>Total Special Education Cluster (IDEA)</i>			<u>113,635</u>	<u>110,245</u>
21st Century Community Learning Centers	2010	84.287	200,000	196,095
21st Century Community Learning Centers	2009	84.287	0	4,361
<i>Total 21st Century Community Learning Centers</i>			<u>200,000</u>	<u>200,456</u>
School Improvement Grant	N/A	84.377	11,300	11,300
Foreign Language Assistance	N/A	84.293	253,674	272,350
Total U.S. Department of Education			<u><u>780,984</u></u>	<u><u>818,647</u></u>

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the East Central Ohio Educational Service Center, Tuscarawas County, Ohio, (the ESC) as of and for the year ended June 30, 2010, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated March 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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



Dave Yost
Auditor of State

March 7, 2011



Dave Yost • Auditor of State

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

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

To the Governing Board:

Compliance

We have audited the compliance of the East Central Ohio Educational Service Center, Tuscarawas County, Ohio (the ESC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the East Central Ohio Educational Service Center's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying Schedule of Findings identifies the ESC's major federal programs. The ESC's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the ESC's compliance based on our audit.

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

In our opinion, the East Central Ohio Educational Service Center, Tuscarawas County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the ESC's management in a separate letter dated March 7, 2011.

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



Dave Yost
Auditor of State

March 7, 2011

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
--

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None.

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Dave Yost • Auditor of State

EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 31, 2011

**TUSCARAWAS - CARROLL - HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

**TUSCARAWAS - CARROLL - HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tuscarawas - Carroll - Harrison Educational Service Center
Tuscarawas County
834 East High Street
New Philadelphia, Ohio 44663

To the Governing Board:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major General Fund and the aggregate remaining fund information of the Tuscarawas - Carroll - Harrison Educational Service Center, Tuscarawas County, Ohio, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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www.auditor.state.oh.us

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.

For the General Fund budgetary comparison information, 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.

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

Mary Taylor, CPA
Auditor of State

November 3, 2009

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

The management's discussion and analysis of the Tuscarawas-Carroll-Harrison 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 \$182,932 which represents a 13.65% increase from 2008.
- General revenues accounted for \$1,274,676 in revenue or 19.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,200,627 or 80.31% of total revenues of \$6,475,303.
- The ESC had \$6,292,371 in expenses related to governmental activities; \$5,200,627 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$1,274,676 were adequate to provide for these programs.
- The ESC's only major governmental fund is the general fund. The general fund had \$6,326,042 in revenues and other financing sources and \$6,145,129 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$180,913 from \$624,381 to \$805,294.

Using these Basic Financial Statements

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

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

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

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

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

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

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

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental fund begins on page 10. Fund financial reports provide detailed information about the ESC's major fund. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's only major governmental fund is the general fund.

Governmental Funds

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

Reporting the ESC's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-40 of this report.

Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information on pages 41-43 of this report.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

The ESC as a Whole

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

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

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 1,385,986	\$ 1,324,894
Capital assets, net	<u>1,642,695</u>	<u>1,679,884</u>
Total assets	<u>3,028,681</u>	<u>3,004,778</u>
<u>Liabilities</u>		
Current liabilities	494,400	668,878
Long-term liabilities	<u>1,011,361</u>	<u>995,912</u>
Total liabilities	<u>1,505,761</u>	<u>1,664,790</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	957,636	975,150
Restricted	15,984	15,821
Unrestricted	<u>549,300</u>	<u>349,017</u>
Total net assets	<u>\$ 1,522,920</u>	<u>\$ 1,339,988</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 \$1,522,920. Of this total, \$549,300 is unrestricted in use.

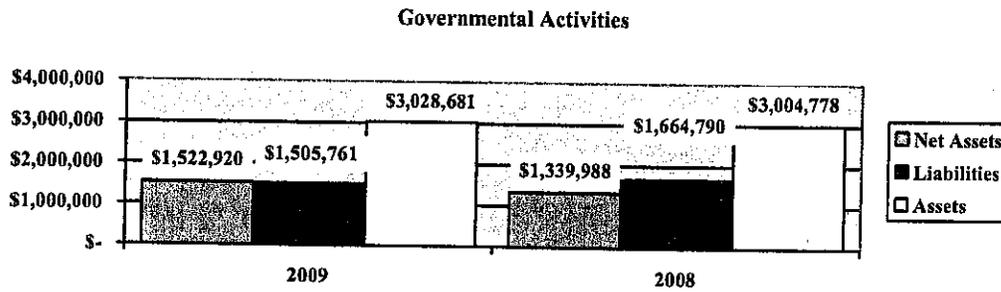
At year-end, capital assets represented 54.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$957,636. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$15,984, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$549,300 may be used to meet the ESC's ongoing obligations to the students and creditors.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

The graph below presents the District's assets, liabilities and net assets for fiscal years 2009 and 2008.



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

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 5,076,552	\$ 4,943,055
Operating grants and contributions	124,075	177,541
General revenues:		
Grants and entitlements	1,266,014	1,268,968
Investment earnings	8,662	28,360
Total revenues	<u>6,475,303</u>	<u>6,417,924</u>

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 506,129	\$ 387,220
Special	778,504	889,915
Vocational	10	38,475
Other	34,992	20,703
Support services:		
Pupil	1,824,047	2,139,346
Instructional staff	2,029,459	2,142,509
Board of education	19,319	25,776
Administration	325,007	321,921
Fiscal	201,988	202,963
Business	135,414	150,932
Operations and maintenance	181,304	140,959
Pupil transportation	10,158	9,600
Central	228,823	240,032
Interest and fiscal charges	<u>17,217</u>	<u>37,649</u>
Total expenses	<u>6,292,371</u>	<u>6,748,000</u>
Change in net assets	182,932	(330,076)
Net assets at beginning of year	<u>1,339,988</u>	<u>1,670,064</u>
Net assets at end of year	<u>\$ 1,522,920</u>	<u>\$ 1,339,988</u>

Governmental Activities

Net assets of the ESC's governmental activities increased \$182,932. Total governmental expenses of \$6,292,371 were offset by program revenues of \$5,200,627 and general revenues of \$1,274,676. Program revenues supported 82.65% of the total governmental expenses.

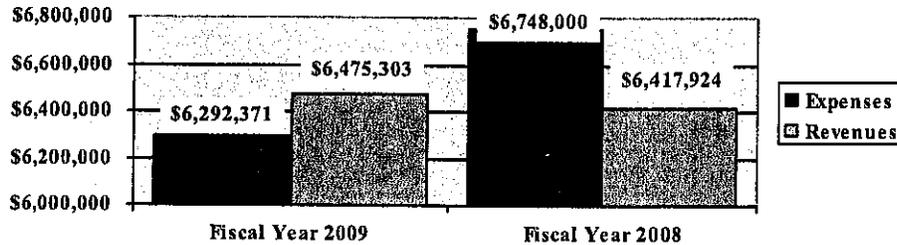
The primary sources of revenue for governmental activities are derived from charges for services and sales. This revenue source represents 78.40% of total governmental revenue.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 506,129	\$ 447,239	\$ 387,220	\$ 326,110
Special	778,504	(119,868)	889,915	33,103
Vocational	10	10	38,475	38,475
Other	34,992	34,992	20,703	20,703
Support services:				
Pupil	1,824,047	(91,893)	2,139,346	168,647
Instructional staff	2,029,459	(19,996)	2,142,509	168,580
Board of education	19,319	18,319	25,776	25,480
Administration	325,007	58,373	321,921	76,628
Fiscal	201,988	201,988	202,963	202,963
Business	135,414	135,414	150,932	150,932
Operations and maintenance	181,304	173,968	140,959	132,702
Pupil transportation	10,158	10,158	9,600	9,600
Central	228,823	225,823	240,032	235,832
Interest and fiscal charges	17,217	17,217	37,649	37,649
Total expenses	<u>\$ 6,292,371</u>	<u>\$ 1,091,744</u>	<u>\$ 6,748,000</u>	<u>\$ 1,627,404</u>

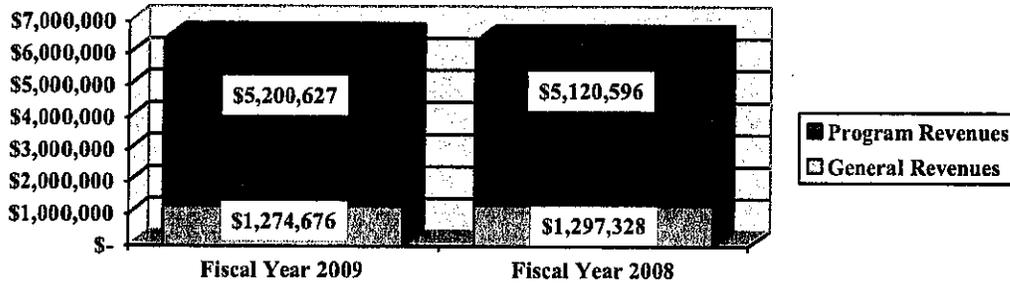
For all governmental activities, general revenue support is 17.96%. The primary support of the ESC is program revenues, charges for services, from Districts to which the ESC provides services.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance of \$821,278, which is higher than last year's total of \$640,202. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	<u>Fund Balance June 30, 2009</u>	<u>Fund Balance June 30, 2008</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 805,294	\$ 624,381	\$ 180,913	28.97 %
Other Governmental	15,984	15,821	163	1.03 %
Total	<u>\$ 821,278</u>	<u>\$ 640,202</u>	<u>\$ 181,076</u>	<u>28.28 %</u>

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

General Fund

The ESC's general fund balance increased by \$180,913. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Tuition	\$ 1,951,760	\$ 1,966,893	\$ (15,133)	(0.77) %
Earnings on investments	8,662	28,360	(19,698)	(69.46) %
Contract services	3,070,298	2,960,348	109,950	3.71 %
Intergovernmental	<u>1,266,014</u>	<u>1,268,968</u>	<u>(2,954)</u>	<u>(0.23) %</u>
Total	<u>\$ 6,296,734</u>	<u>\$ 6,224,569</u>	<u>\$ 72,165</u>	1.16 %
<u>Expenditures</u>				
Instruction	\$ 1,215,151	\$ 1,253,166	\$ (38,015)	(3.03) %
Support services	4,806,881	5,204,973	(398,092)	(7.65) %
Facilities acquisition and construction	56,897	-	56,897	100.00 %
Debt service	<u>66,200</u>	<u>176,979</u>	<u>(110,779)</u>	<u>(62.59) %</u>
Total	<u>\$ 6,145,129</u>	<u>\$ 6,635,118</u>	<u>\$ (489,989)</u>	(7.38) %

Interest revenue decreased 69.46% due to lower interest rates earned on investments compared to the prior year. Debt service expenditures decreased due to the ESC restructuring their capital lease. Facilities acquisition and construction expenditures increased due to the addition of a storage building. All other revenues and expenditures remain comparable to prior years.

Debt Administration and Capital Assets

Debt Administration

At June 30, 2009, the ESC had \$538,286 in capital lease obligations and \$146,773 in a lease purchase agreement outstanding. Of this total, \$79,578 is due within one year and \$605,481 is due in greater than one year.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

The following table summarizes the loans and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Capital lease obligation	\$ 538,286	\$ 536,995
Lease purchase agreement	<u>146,773</u>	<u>167,739</u>
Total	<u>\$ 685,059</u>	<u>\$ 704,734</u>

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

Capital Assets

At the end of fiscal year 2009, the ESC had \$1,642,695 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

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

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 22,360	\$ 22,360
Land improvements	49,838	54,585
Building and improvements	1,435,953	1,442,954
Furniture and equipment	127,044	149,485
Vehicles	<u>7,500</u>	<u>10,500</u>
Total	<u>\$ 1,642,695</u>	<u>\$ 1,679,884</u>

The overall decrease in capital assets of \$37,189 is due to depreciation expense of \$104,034 exceeding capital outlays of \$66,845 in the fiscal year.

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

Current Financial Related Activities

Overall, the ESC is financially strong. As the preceding information shows, the ESC relies heavily on contracts with local, city, exempted village school districts and other entities within the three county area, State foundation revenue, customer service receipts, and grants. Discretionary contracts with districts are expected to remain the same through fiscal year 2009. District contracts, along with the ESC's cash balance will provide the necessary funds to meet its operating expenses in fiscal year 2009. However, the ESC anticipates an increase in contracts for special education services and classroom support due to the receipt of ARRA funds by the districts.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

The future financial stability of the ESC is not without challenges. Some of those challenges that we will be facing are:

- 1.) Continued legislative efforts to realign Ohio's Regional Educational Delivery System and the implementation of that system by the Ohio Department of Education. At this point, the ESC is unable to determine what effect this legislation will have on future state funding and on its financial operations, however it is assumed that this system will directly affect the ESC's and the method used to fund the ESC.
- 2.) A continuing challenge the ESC faces is to continue to provide our school districts with the most innovative and current ideas in classroom technology in a manner that is cost effective to districts that are already faced with financial difficulties.
- 3.) Effective August 1, 2009 the Tuscarawas-Carroll-Harrison ESC will complete a merger with the Belmont County ESC. When the merge has been completed the name of the ESC will be changed to East Central Ohio Educational Service Center and will become a four county entity. The merger will bring approximately 25 new staff members to the ESC and the responsibility of providing services to six additional school districts with approximately 7,000 students. Our challenge will be to quickly identify the needs of those districts and get the services they need provided.

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

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the ESC's 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. Julie A. Lynch, Treasurer, East Central Ohio Educational Service Center, 834 E. High Street, New Philadelphia, Ohio 44663.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,141,453
Receivables:	
Intergovernmental	244,533
Capital assets:	
Land	22,360
Depreciable capital assets, net	1,620,335
Capital assets, net.	1,642,695
Total assets.	3,028,681
 Liabilities:	
Accrued wages and benefits	408,929
Pension obligation payable.	71,257
Intergovernmental payable	14,214
Long-term liabilities:	
Due within one year.	145,464
Due in more than one year.	865,897
Total liabilities	1,505,761
 Net Assets:	
Invested in capital assets, net of related debt.	957,636
Restricted for:	
Locally funded programs.	12,884
State funded programs.	3,000
Federally funded programs.	100
Unrestricted.	549,300
Total net assets	\$ 1,522,920

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 506,129	\$ -	\$ 58,890	\$ (447,239)
Special	778,504	889,112	9,260	119,868
Vocational	10	-	-	(10)
Other	34,992	-	-	(34,992)
Support services:				
Pupil	1,824,047	1,911,981	3,959	91,893
Instructional staff	2,029,459	2,008,825	40,630	19,996
Board of education	19,319	-	1,000	(18,319)
Administration	325,007	266,634	-	(58,373)
Fiscal	201,988	-	-	(201,988)
Business	135,414	-	-	(135,414)
Operations and maintenance	181,304	-	7,336	(173,968)
Pupil transportation	10,158	-	-	(10,158)
Central	228,823	-	3,000	(225,823)
Interest and fiscal charges	17,217	-	-	(17,217)
Total governmental activities	\$ 6,292,371	\$ 5,076,552	\$ 124,075	(1,091,744)

General Revenues:

Grants and entitlements not restricted to specific programs	1,266,014
Investment earnings	8,662
Total general revenues	1,274,676
 Change in net assets	 182,932
 Net assets at beginning of year	 1,339,988
Net assets at end of year	\$ 1,522,920

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS 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	\$ 1,125,469	\$ 15,984	\$ 1,141,453
Receivables:			
Intergovernmental	244,533	-	244,533
Total assets	<u>\$ 1,370,002</u>	<u>\$ 15,984</u>	<u>\$ 1,385,986</u>
Liabilities:			
Accrued wages and benefits	\$ 408,929	\$ -	\$ 408,929
Intergovernmental payable.	14,214	-	14,214
Pension obligation payable.	71,257	-	71,257
Deferred revenue.	70,308	-	70,308
Total liabilities	<u>564,708</u>	<u>-</u>	<u>564,708</u>
Fund Balances:			
Reserved for encumbrances	-	100	100
Unreserved, undesignated, reported in:			
General fund	805,294	-	805,294
Special revenue funds.	-	15,884	15,884
Total fund balances	<u>805,294</u>	<u>15,984</u>	<u>821,278</u>
Total liabilities and fund balances	<u>\$ 1,370,002</u>	<u>\$ 15,984</u>	<u>\$ 1,385,986</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

Total governmental fund balances	\$	821,278
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,642,695
Other long-term assets, such as intergovernmental receivables, are not available to pay for current-period expenditures and therefore are deferred in the funds.		70,308
Long-term liabilities, are not due and payable in the current period therefore are not reported in the funds		
Compensated absences	\$ 326,302	
Capital lease obligation	538,286	
Lease-purchase agreement	<u>146,773</u>	
Total		<u>(1,011,361)</u>
Net assets of governmental activities	\$	<u><u>1,522,920</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS 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:			
Tuition	\$ 1,951,760	\$ -	\$ 1,951,760
Earnings on investments	8,662	-	8,662
Contract services	3,070,298	-	3,070,298
Intergovernmental - Intermediate	-	1,306	1,306
Intergovernmental - State	1,266,014	71,880	1,337,894
Intergovernmental - Federal	-	50,889	50,889
Total revenues	<u>6,296,734</u>	<u>124,075</u>	<u>6,420,809</u>
Expenditures:			
Current:			
Instruction:			
Regular	355,219	58,890	414,109
Special	824,930	9,278	834,208
Vocational	10	-	10
Other	34,992	-	34,992
Support services:			
Pupil	1,837,680	2,961	1,840,641
Instructional staff	1,960,074	42,433	2,002,507
Board of education	19,319	-	19,319
Administration	256,273	-	256,273
Fiscal	196,724	-	196,724
Business	127,242	-	127,242
Operations and maintenance	173,942	7,350	181,292
Pupil transportation	10,158	-	10,158
Central	225,469	3,000	228,469
Facilities acquisition and construction	56,897	-	56,897
Debt service:			
Principal retirement	48,983	-	48,983
Interest and fiscal charges	17,217	-	17,217
Total expenditures	<u>6,145,129</u>	<u>123,912</u>	<u>6,269,041</u>
Excess of revenues over expenditures	<u>151,605</u>	<u>163</u>	<u>151,768</u>
Other financing sources:			
Proceeds of capital lease transaction	29,308	-	29,308
Total other financing sources	<u>29,308</u>	<u>-</u>	<u>29,308</u>
Net change in fund balances	180,913	163	181,076
Fund balance at beginning of year	624,381	15,821	640,202
Fund balances at end of year	<u>\$ 805,294</u>	<u>\$ 15,984</u>	<u>\$ 821,278</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

Net change in fund balances - total governmental funds \$ 181,076

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	\$	66,845	
Current year depreciation		<u>(104,034)</u>	
Total			(37,189)

Revenues in the statement of activities, such as contract service revenue, that do not provide current financial resources are not reported as revenues in the funds. 54,494

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 48,983

Capital lease transactions are recorded as revenue in the funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (29,308)

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. (35,124)

Change in net assets of governmental activities \$ 182,932

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	443,512
Receivables:		
Intergovernmental		94,773
		94,773
Total assets.	\$	538,285
Liabilities:		
Accounts payable.	\$	1,935
Accrued wages and benefits		1,840
Pension obligation payable		2,040
Intergovernmental payable		95,012
Undistributed monies.		398,829
Due to students		38,629
		38,629
Total liabilities	\$	538,285

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS 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 Tuscarawas-Carroll-Harrison Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio and as defined by Section 3313.01 of the Ohio Revised Code. The ESC supplies supervisory, administrative and other needed services to participating school districts.

The ESC operates under an elected seven-member Governing Board. This Board acts as the authorizing body for expenditures, policy and procedures and approves all financial activities. The ESC is staffed by 49 non-certified employees and 90 certified employees to provide services to approximately 12,546 students in 12 districts throughout Tuscarawas, Carroll and Harrison counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS 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:

JOINTLY GOVERNED ORGANIZATION

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

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

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

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

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Board Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

Ohio School Plan

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

RISK SHARING POOL

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

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO

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

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

Other governmental funds of the ESC are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

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

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

TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

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

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

E. Cash and Investments

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

During fiscal year 2009, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$8,662, which includes \$742 assigned from other funds.

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

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

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC's capitalization threshold is \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The ESC does not possess infrastructure.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	10 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	3 - 10 years

G. Compensated Absences

The ESC reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the ESC will compensate the employees for the benefits through paid time off or some other means. The ESC records a liability for accumulated unused vacation time when earned for those eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the ESC has identified as probable of receiving payment in the future. The liability is based on accumulated sick leave and employee wage rates at fiscal year end, taking into consideration any limits specified in the ESC's termination policy.

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

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

H. Accrued Liabilities and Long-Term Obligations

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

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

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

I. Fund Balance Reserves

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

J. Net Assets

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

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

K. Estimates

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

L. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The ESC made no interfund transfers during fiscal year 2009.

M. Extraordinary and Special Items

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

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

NOTE 3 - 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 Account Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

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

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NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all ESC deposits was \$983,635. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,167,562 of the ESC's bank balance of \$1,417,562 was exposed to custodial risk as discussed below, while \$250,000 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.

B. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 601,330</u>	<u>\$ 601,330</u>

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

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

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

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

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>
STAR Ohio	\$ 601,330	100.00

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 983,635
Investments	<u>601,330</u>
Total	<u>\$1,584,965</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,141,453
Agency funds	<u>443,512</u>
Total	<u>\$1,584,965</u>

NOTE 5 - 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6 - RECEIVABLES

Receivables at June 30, 2009 consisted of intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental activities:

Intergovernmental	<u>\$ 244,533</u>
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Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 7 - OPERATING LEASE - LESSOR DISCLOSURE

During fiscal year 2008, the ESC entered into an operating lease with Buckeye Joint Vocational School District (the "District") for the use of a building that will be donated to the ESC and then leased back to the District. This lease meets the criteria of an operating lease as defined by FASB Statement No. 13 "Accounting for Leases". The lease payment is \$2,000 per month; however, the District has paid construction costs for the building and may use these costs as a credit against the rent payment. The construction costs may be applied for a period of 8 years, not to exceed \$192,000 in rent payments. As of June 30, 2009, the total amount spent by the District has not been determined.

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

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>06/30/08</u>	Additions	Deductions	Balance <u>06/30/09</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 22,360	\$ -	\$ -	\$ 22,360
Total capital assets, not being depreciated	<u>22,360</u>	<u>-</u>	<u>-</u>	<u>22,360</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	94,933	-	-	94,933
Buildings and improvements	1,865,701	56,897	-	1,922,598
Furniture and equipment	356,193	9,948	-	366,141
Vehicles	24,000	-	-	24,000
Total capital assets, being depreciated	<u>2,340,827</u>	<u>66,845</u>	<u>-</u>	<u>2,407,672</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(40,348)	(4,747)	-	(45,095)
Buildings and improvements	(422,747)	(63,898)	-	(486,645)
Furniture and equipment	(206,708)	(32,389)	-	(239,097)
Vehicles	(13,500)	(3,000)	-	(16,500)
Total accumulated depreciation	<u>(683,303)</u>	<u>(104,034)</u>	<u>-</u>	<u>(787,337)</u>
Governmental activities capital assets, net	<u>\$ 1,679,884</u>	<u>\$ (37,189)</u>	<u>\$ -</u>	<u>\$ 1,642,695</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 15,580
Special	708

Support services:

Pupil	1,574
Instructional staff	17,805
Administration	57,488
Fiscal	624
Business	10,167
Central	<u>88</u>

Total depreciation expense \$ 104,034

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$1,300,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$390,000, leaving a current book value of \$910,000. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2009 fiscal year totaled \$28,017, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2009.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2010	\$ 90,409
2011	90,409
2012	90,409
2013	90,409
2014	90,409
2015 - 2017	<u>226,024</u>
Total minimum lease payment	678,069
Less: amount representing interest	<u>(139,783)</u>
Present value of minimum lease payments	<u>\$ 538,286</u>

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

In conjunction with the lease-purchase agreement, the ESC entered into an escrow agreement with JP Morgan Chase Trust Company, N.A. and JP Morgan Chase Leasing Corporation whereby JP Morgan Chase Trust Company, N.A. acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the ESC authorizes and directs JP Morgan Chase Leasing Corporation to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. All funds in the escrow account were disbursed in fiscal year 2004. There were no funds remaining in the account at June 30, 2009.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - LEASE-PURCHASE AGREEMENT

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

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$251,600. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$44,030, leaving a current book value of \$207,570. A corresponding liability was recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$20,966, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2009.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2010	\$ 20,966
2011	20,966
2012	20,966
2013	20,966
2014	20,966
2015 - 2016	41,943
Present value of minimum lease payments	<u>\$ 146,773</u>

NOTE 11 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from Governing Board actions and State laws. Full-time certified and classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated vacation time is paid to eligible employees upon termination of employment. Certified employees who do not work 12 months are not entitled to vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a total of 200 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 45 days. Any employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding			Balance Outstanding	Amounts Due in
	<u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>One Year</u>
Governmental activities:					
Compensated absences	\$ 291,178	\$ 53,646	\$ (18,522)	\$ 326,302	\$ 65,886
Capital lease obligation	536,995	29,308	(28,017)	538,286	58,612
Lease-purchase agreement	<u>167,739</u>	<u>-</u>	<u>(20,966)</u>	<u>146,773</u>	<u>20,966</u>
Total long-term obligations, governmental activities	<u>\$ 995,912</u>	<u>\$ 82,954</u>	<u>\$ (67,505)</u>	<u>\$ 1,011,361</u>	<u>\$ 145,464</u>

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

NOTE 13 - RISK MANAGEMENT

A. Comprehensive and Employee Health Insurance

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the ESC contracted with Westfield Insurance Company for commercial property insurance based on information provided by Valuation Engineers, Inc., with a \$500 deductible limit per year.

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

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

B. Workers' Compensation

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or their designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

C. Health Care Benefits

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

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The ESC contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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 \$102,022, \$111,129 and \$114,116, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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

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.

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 \$451,465, \$469,979 and \$470,335, 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 \$8,667 made by the ESC and \$19,851 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.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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.

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 \$67,657, \$69,176 and \$58,837, 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 \$8,418, \$8,007 and \$7,760, 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.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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 \$34,728, \$36,152 and \$36,180, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - SUBSEQUENT EVENT

On August 1, 2009, the ESC merged with the Belmont County ESC and has changed its name to the East Central Ohio Educational Service Center.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition	\$ 2,006,649	\$ 1,951,760	\$ 1,951,760	\$ -
Earnings on investments	8,906	8,662	8,662	-
Contract services	3,156,207	3,069,874	3,069,874	-
Intergovernmental - State	1,301,618	1,266,014	1,266,014	-
Total revenue	6,473,380	6,296,310	6,296,310	-
Expenditures:				
Current:				
Instruction:				
Regular	354,881	357,458	357,458	-
Special	848,369	854,529	854,529	-
Vocational	6,808	6,857	6,857	-
Other	34,929	35,183	35,183	-
Support services:				
Pupil	1,892,816	1,906,559	1,906,559	-
Instructional staff	1,970,392	1,984,699	1,984,699	-
Board of education	19,282	19,422	19,422	-
Administration	260,202	262,091	262,091	-
Fiscal	199,245	200,692	200,692	-
Business	126,325	127,242	127,242	-
Operations and maintenance	173,781	175,043	175,043	-
Pupil transportation	9,967	10,039	10,039	-
Central	225,749	227,388	227,388	-
Facilities acquisition and construction	56,487	220	56,897	(56,677)
Debt service:				
Principal retirement	48,630	48,983	48,983	-
Interest and fiscal charges	17,093	17,217	17,217	-
Total expenditures	6,244,956	6,233,622	6,290,299	(56,677)
Excess of revenues over expenditures	228,424	62,688	6,011	(56,677)
Other financing sources:				
Advances in	504	490	490	-
Total other financing uses	504	490	490	-
Net change in fund balance	228,928	63,178	6,501	(56,677)
Fund balance at beginning of year	1,113,968	1,113,968	1,113,968	-
Fund balance at end of year	\$ 1,342,896	\$ 1,177,146	\$ 1,120,469	\$ (56,677)

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY 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 Governing Board does follow the budgetary process for control purposes.

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund 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 schedule of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and 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).

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY 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	\$ 6,501
Net adjustment for revenue accruals	424
Net adjustment for expenditure accruals	106,628
Net adjustment for other sources/(uses)	<u>28,818</u>
GAAP basis	<u>\$ 142,371</u>



Mary Taylor, CPA

Auditor of State

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

Tuscarawas - Carroll - Harrison Educational Service Center
Tuscarawas County
834 East High Street
New Philadelphia, Ohio 44663

To the Governing Board:

We have audited the financial statements of the governmental activities, the major General Fund, and the aggregate remaining fund information of the Tuscarawas - Carroll - Harrison Educational Service Center, Tuscarawas County, Ohio, (the ESC) as of and for the year ended June 30, 2009, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated November 3, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We intend this report solely for the information and use of management and the Governing Board. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 3, 2009



Mary Taylor, CPA
Auditor of State

TUSCARAWAS – CARROLL – HARRISON EDUCATIONAL SERVICE CENTER

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2010**

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

JULIE A. LYNCH, TREASURER



Mary Taylor, CPA
Auditor of State

Governing Board
Tuscarawas-Carroll-Harrison Educational Service Center
834 East High Avenue
New Philadelphia, Ohio 44663

We have reviewed the *Independent Auditor's Report* of the Tuscarawas-Carroll-Harrison Educational Service Center, Tuscarawas County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Tuscarawas-Carroll-Harrison Educational Service Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 23, 2008

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**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Tuscarawas-Carroll-Harrison Educational Service Center
Governing Board
834 E. High Ave.
New Philadelphia, OH 44663

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Tuscarawas-Carroll-Harrison Educational Service Center, Tuscarawas County, Ohio as of and for the fiscal year ended June 30, 2008, which collectively comprise Tuscarawas-Carroll-Harrison Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tuscarawas-Carroll-Harrison Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of Tuscarawas-Carroll-Harrison Educational Service Center, Tuscarawas County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

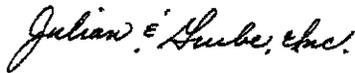
In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of Tuscarawas-Carroll-Harrison Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Tuscarawas-Carroll-Harrison Educational Service Center

For the budgetary comparison information, we have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tuscarawas-Carroll-Harrison Educational Service Center's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Tuscarawas-Carroll-Harrison Educational Service Center. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
November 26, 2008

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the Tuscarawas-Carroll-Harrison 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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased \$330,076 which represents a 19.76% decrease from 2007.
- General revenues accounted for \$1,297,328 in revenue or 20.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,120,596 or 79.79% of total revenues of \$6,417,924.
- The ESC had \$6,748,000 in expenses related to governmental activities; \$5,120,596 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$1,297,328 were not adequate to provide for these programs.
- The ESC's only major governmental fund is the general fund. The general fund had \$6,224,569 in revenues and \$6,635,118 in expenditures. During fiscal year 2008, the general fund's fund balance decreased \$410,549 from \$1,034,930 to \$624,381.

Using these Basic Financial Statements

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

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

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

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

Reporting the ESC's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the ESC's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-40 of this report.

Supplementary Information

The ESC has presented a budgetary comparison schedule for the general fund as supplementary information on pages 41-43 of this report.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The ESC as a Whole

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

The table below provides a summary of the ESC's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 1,324,894	\$ 1,307,399
Capital assets, net	<u>1,679,884</u>	<u>1,766,689</u>
Total assets	<u>3,004,778</u>	<u>3,074,088</u>
<u>Liabilities</u>		
Current liabilities	668,878	254,537
Long-term liabilities	<u>995,912</u>	<u>1,149,487</u>
Total liabilities	<u>1,664,790</u>	<u>1,404,024</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	975,150	922,625
Restricted	15,821	17,932
Unrestricted	<u>349,017</u>	<u>729,507</u>
Total net assets	<u>\$ 1,339,988</u>	<u>\$ 1,670,064</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the ESC's assets exceeded liabilities by \$1,339,988. Of this total, \$349,017 is unrestricted in use.

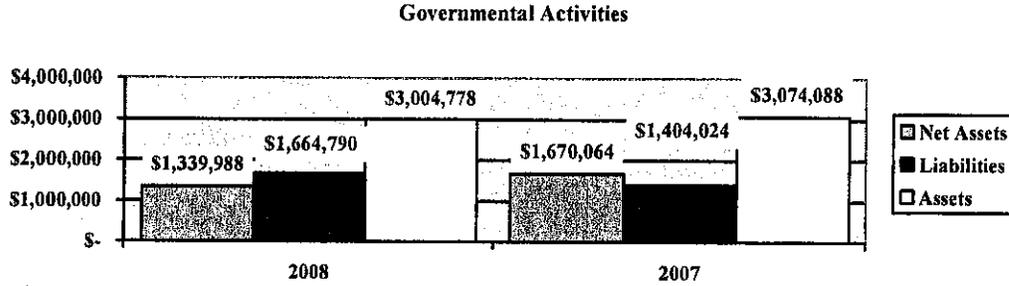
At year-end, capital assets represented 55.91% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$975,150. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$15,821, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$349,017 may be used to meet the ESC's ongoing obligations to the students and creditors.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the District's assets, liabilities and net assets for fiscal years 2008 and 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$ 4,943,055	\$ 4,710,755
Operating grants and contributions	177,541	181,346
General revenues:		
Grants and entitlements	1,268,968	1,323,898
Investment earnings	28,360	40,988
Total revenues	6,417,924	6,256,987

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 387,220	\$ 297,678
Special	889,915	691,269
Vocational	38,475	18,070
Other	20,703	-
Support services:		
Pupil	2,139,346	1,879,773
Instructional staff	2,142,509	1,788,699
Board of education	25,776	21,275
Administration	321,921	340,913
Fiscal	202,963	193,497
Business	150,932	143,038
Operations and maintenance	140,959	144,356
Pupil transportation	9,600	9,174
Central	240,032	156,800
Interest and fiscal charges	<u>37,649</u>	<u>44,457</u>
Total expenses	<u>6,748,000</u>	<u>5,728,999</u>
Change in net assets	(330,076)	527,988
Net assets at beginning of year	<u>1,670,064</u>	<u>1,142,076</u>
Net assets at end of year	<u>\$ 1,339,988</u>	<u>\$ 1,670,064</u>

Governmental Activities

Net assets of the ESC's governmental activities decreased \$330,076. Total governmental expenses of \$6,748,000 were offset by program revenues of \$5,120,596 and general revenues of \$1,297,328. Program revenues supported 75.88% of the total governmental expenses.

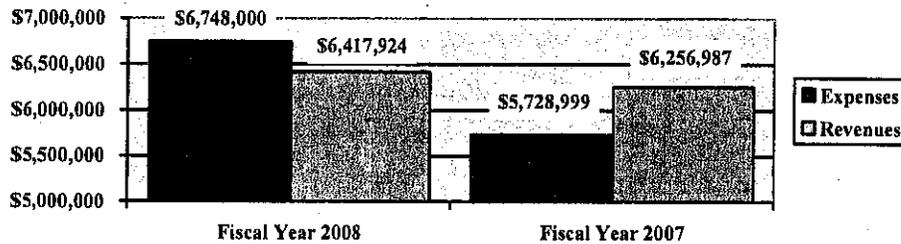
The primary sources of revenue for governmental activities are derived from charges for services and sales. This revenue source represents 77.02% of total governmental revenue.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the ESC's governmental activities revenue and expenses for fiscal year 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 387,220	\$ 326,110	\$ 297,678	\$ 228,941
Special	889,915	33,103	691,269	(47,110)
Vocational	38,475	38,475	18,070	18,070
Other	20,703	20,703	-	-
Support services:				
Pupil	2,139,346	168,647	1,879,773	(43,098)
Instructional staff	2,142,509	168,580	1,788,699	(63,791)
Board of education	25,776	25,480	21,275	21,275
Administration	321,921	76,628	340,913	48,513
Fiscal	202,963	202,963	193,497	193,497
Business	150,932	150,932	143,038	143,038
Operations and maintenance	140,959	132,702	144,356	144,356
Pupil transportation	9,600	9,600	9,174	(6,250)
Central	240,032	235,832	156,800	155,000
Interest and fiscal charges	<u>37,649</u>	<u>37,649</u>	<u>44,457</u>	<u>44,457</u>
Total expenses	<u>\$ 6,748,000</u>	<u>\$ 1,627,404</u>	<u>\$ 5,728,999</u>	<u>\$ 836,898</u>

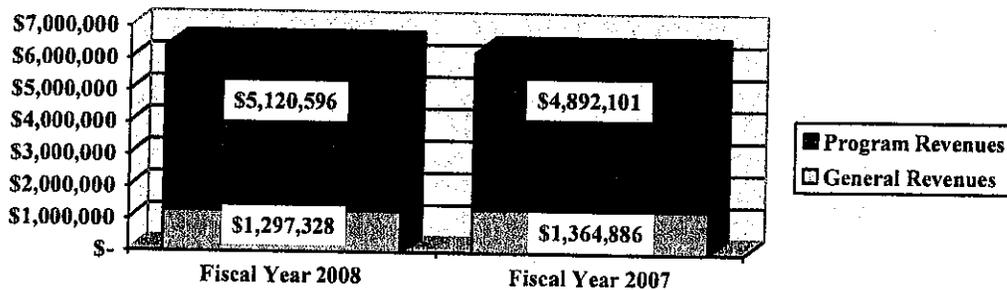
For all governmental activities, general revenue support is 19.23%. The primary support of the ESC is program revenues, charges for services, from District's to which the ESC provides services.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The graph below presents the ESC's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance of \$640,202, which is lower than last year's total of \$1,052,862. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	<u>Decrease</u>	<u>Percentage Change</u>
General	\$ 624,381	\$ 1,034,930	\$ (410,549)	(39.67) %
Other Governmental	<u>15,821</u>	<u>17,932</u>	<u>(2,111)</u>	(11.77) %
Total	<u>\$ 640,202</u>	<u>\$ 1,052,862</u>	<u>\$ (412,660)</u>	(39.19) %

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

General Fund

The ESC's general fund balance decreased by \$410,549. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Tuition	\$ 1,966,893	\$ 1,932,929	\$ 33,964	1.76 %
Earnings on investments	28,360	40,988	(12,628)	(30.81) %
Contract services	2,960,348	2,777,826	182,522	6.57 %
Intergovernmental	<u>1,268,968</u>	<u>1,323,898</u>	<u>(54,930)</u>	<u>(4.15) %</u>
Total	<u>\$ 6,224,569</u>	<u>\$ 6,075,641</u>	<u>\$ 148,928</u>	<u>2.45 %</u>
<u>Expenditures</u>				
Instruction	\$ 1,253,166	\$ 918,063	\$ 335,103	36.50 %
Support services	5,204,973	4,507,046	697,927	15.49 %
Debt service	<u>176,979</u>	<u>176,980</u>	<u>(1)</u>	<u>(0.00) %</u>
Total	<u>\$ 6,635,118</u>	<u>\$ 5,602,089</u>	<u>\$ 1,033,029</u>	<u>18.44 %</u>

Interest revenue decreased 30.81% due to lower interest rates earned on investments compared to the prior year. Instruction and support services expenses increased due to higher wages and fringe benefit expenses for employees. All other revenues and expenditures remain comparable to prior years.

Debt Administration and Capital Assets

Debt Administration

At June 30, 2008, the ESC had \$536,995 in capital lease obligations and \$167,739 in a lease purchase agreement outstanding. Of this total, \$557,961 is due within one year and \$146,773 is due in greater than one year.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The following table summarizes the loans and lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Capital lease obligation	\$ 536,995	\$ 655,359
Lease purchase agreement	<u>167,739</u>	<u>188,705</u>
Total	<u>\$ 704,734</u>	<u>\$ 844,064</u>

See Note 13 to the basic financial statements for additional information on the ESC's debt administration.

Capital Assets

At the end of fiscal year 2008, the ESC had \$1,679,884 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007:

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

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 22,360	\$ 22,360
Land improvements	54,585	59,332
Building and improvements	1,442,954	1,506,283
Furniture and equipment	149,485	165,214
Vehicles	<u>10,500</u>	<u>13,500</u>
Total	<u>\$ 1,679,884</u>	<u>\$ 1,766,689</u>

The overall decrease in capital assets of \$86,805 is due to depreciation expense of \$104,933 exceeding capital outlays of \$18,128 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the ESC's capital assets.

Current Financial Related Activities

Overall, the ESC is financially strong. As the preceding information shows, the ESC relies heavily on contracts with local, city, exempted village school districts and other entities within the three county area, State foundation revenue, customer service receipts and grants. Discretionary contracts with districts are expected to decrease in fiscal year 2008 due to the financial difficulties that districts are facing. However, the ESC anticipates an increase in contracts for required special education services and classroom technology support. District contracts, along with the ESC's cash balance will provide the necessary funds to meet its operating expenses in fiscal year 2008.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The future financial stability of the ESC is not without challenges. Some of those challenges that we will be facing are:

- 1.) Continued legislative efforts to realign Ohio's Regional Educational Delivery System and the implementation of that system by the Ohio Department of Education. At this point, the ESC is unable to determine what effect this legislation will have on future state funding and on its financial operations, however it is assumed that this system will directly affect the ESC's and the method used to fund the ESC.
- 2.) Approval of the Ohio Department of Job and Family Services request to discontinue the Community Alternative Funding Systems (CAFS) program effective July 1, 2006 will directly affect the method used to calculate specific special education costs to the districts that we service. Continuation of special education services is at risk as a result of the additional cost the district is forced to assume.
- 3.) One of the last challenges facing the ESC is to continue to provide our school districts with the most innovative and current ideas in classroom technology in a manner that is cost effective to districts that are already faced with financial difficulties.

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

Contacting the ESC's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the ESC's 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. Julie A. Lynch, Treasurer, Tuscarawas-Carroll-Harrison Educational Service Center, 834 E. High Street, New Philadelphia, Ohio 44663.

**BASIC
FINANCIAL STATEMENTS**

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,134,789
Receivables:	
Intergovernmental	189,615
Loan	490
Capital assets:	
Land	22,360
Depreciable capital assets, net	1,657,524
Capital assets, net.	1,679,884
Total assets.	3,004,778
 Liabilities:	
Accounts payable.	112
Accrued wages and benefits	559,504
Pension obligation payable.	93,898
Intergovernmental payable	15,364
Long-term liabilities:	
Due within one year.	600,524
Due in more than one year.	395,388
Total liabilities.	1,664,790
 Net Assets:	
Invested in capital assets, net of related debt.	975,150
Restricted for:	
Locally funded programs.	14,451
State funded programs.	1,170
Federally funded programs.	200
Unrestricted.	349,017
Total net assets.	\$ 1,339,988

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 387,220	\$ -	\$ 61,110	\$ (326,110)
Special	889,915	852,449	4,363	(33,103)
Vocational	38,475	-	-	(38,475)
Other	20,703	-	-	(20,703)
Support services:				
Pupil	2,139,346	1,956,595	14,104	(168,647)
Instructional staff	2,142,509	1,888,718	85,211	(168,580)
Board of education	25,776	-	296	(25,480)
Administration	321,921	245,293	-	(76,628)
Fiscal	202,963	-	-	(202,963)
Business	150,932	-	-	(150,932)
Operations and maintenance	140,959	-	8,257	(132,702)
Pupil transportation	9,600	-	-	(9,600)
Central	240,032	-	4,200	(235,832)
Interest and fiscal charges	37,649	-	-	(37,649)
Total governmental activities	\$ 6,748,000	\$ 4,943,055	\$ 177,541	(1,627,404)

General Revenues:

Grants and entitlements not restricted to specific programs	1,268,968
Investment earnings	28,360
Total general revenues	1,297,328
 Change in net assets	 (330,076)
 Net assets at beginning of year	 1,670,064
Net assets at end of year	\$ 1,339,988

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,118,968	\$ 15,821	\$ 1,134,789
Receivables:			
Intergovernmental	189,615	-	189,615
Loans	490	-	490
Total assets	\$ 1,309,073	\$ 15,821	\$ 1,324,894
Liabilities:			
Accounts payable	\$ 112	\$ -	\$ 112
Accrued wages and benefits	559,504	-	559,504
Intergovernmental payable	15,364	-	15,364
Pension obligation payable	93,898	-	93,898
Deferred revenue	15,814	-	15,814
Total liabilities	684,692	-	684,692
Fund Balances:			
Reserved for encumbrances	-	200	200
Unreserved, undesignated, reported in:			
General fund	624,381	-	624,381
Special revenue funds	-	15,621	15,621
Total fund balances	624,381	15,821	640,202
Total liabilities and fund balances	\$ 1,309,073	\$ 15,821	\$ 1,324,894

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008**

Total governmental fund balances		\$	640,202
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,679,884
Other long-term assets, such as intergovernmental receivables, are not available to pay for current-period expenditures and therefore are deferred in the funds.			15,814
Long-term liabilities, are not due and payable in the current period therefore are not reported in the funds			
Compensated absences	\$	291,178	
Capital lease obligation		536,995	
Lease-purchase agreement		<u>167,739</u>	
Total			<u>(995,912)</u>
Net assets of governmental activities		\$	<u>1,339,988</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Tuition	\$ 1,966,893	\$ -	\$ 1,966,893
Earnings on investments	28,360	-	28,360
Contract services	2,960,348	-	2,960,348
Intergovernmental - Intermediate	-	3,725	3,725
Intergovernmental - State	1,266,834	103,353	1,370,187
Intergovernmental - Federal	2,134	70,463	72,597
Total revenues	<u>6,224,569</u>	<u>177,541</u>	<u>6,402,110</u>
Expenditures:			
Current:			
Instruction:			
Regular	312,173	61,110	373,283
Special	881,815	4,366	886,181
Vocational	38,475	-	38,475
Other	20,703	-	20,703
Support services:			
Pupil	2,130,001	14,560	2,144,561
Instructional staff	2,056,109	86,821	2,142,930
Board of education	25,444	332	25,776
Administration	267,032	-	267,032
Fiscal	196,880	-	196,880
Business	151,729	-	151,729
Operations and maintenance	132,739	8,263	141,002
Pupil transportation	9,600	-	9,600
Central	235,439	4,200	239,639
Debt service:			
Principal retirement	139,330	-	139,330
Interest and fiscal charges	37,649	-	37,649
Total expenditures	<u>6,635,118</u>	<u>179,652</u>	<u>6,814,770</u>
Net change in fund balances	(410,549)	(2,111)	(412,660)
Fund balance at beginning of year	1,034,930	17,932	1,052,862
Fund balances at end of year	<u>\$ 624,381</u>	<u>\$ 15,821</u>	<u>\$ 640,202</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds \$ (412,660)

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	\$	18,128	
Current year depreciation		(104,933)	
Total			(86,805)

Revenues in the statement of activities, such as contract service revenue, that do not provide current financial resources are not reported as revenues in the funds.			15,814
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Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.			139,330
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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.			14,245
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Change in net assets of governmental activities	\$		(330,076)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 593,559
Receivables:	
Intergovernmental	173,282
	766,841
Total assets.	\$ 766,841
Liabilities:	
Accounts payable.	\$ 767
Accrued wages and benefits	51,048
Pension obligation payable	9,166
Intergovernmental payable	174,863
Loan payable	490
Undistributed monies.	503,195
Due to students	27,312
	766,841
Total liabilities	\$ 766,841

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Tuscarawas-Carroll-Harrison Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio and as defined by Section 3313.01 of the Ohio Revised Code. The ESC supplies supervisory, administrative and other needed services to participating school districts.

The ESC operates under an elected seven-member Governing Board. This Board acts as the authorizing body for expenditures, policy and procedures and approves all financial activities. The ESC is staffed by 55 non-certified employees and 92 certified employees to provide services to approximately 12,624 students in 12 districts throughout Tuscarawas, Carroll and Harrison counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the ESC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes all funds and activities whose primary purpose is providing necessary services to area school districts.

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. Based upon the application of these criteria, the ESC has no component units. The basic financial statements of the reporting entity include only those of the ESC (the primary government).

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

JOINTLY GOVERNED ORGANIZATION

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

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

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

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

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Board Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Ohio School Plan

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

RISK SHARING POOL

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

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

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Other governmental funds of the ESC are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

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

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

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

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

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

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

E. Cash and Investments

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

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

The ESC has invested funds in STAR Ohio during fiscal year 2008. 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, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Governing Board. Investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$28,360, which includes \$3,732 assigned from other funds.

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

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

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC's capitalization threshold is \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The ESC does not possess infrastructure.

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

G. Interfund Balances

Receivables and payables resulting from loans from governmental funds to the agency fund are classified as "loans receivable/payable."

H. Compensated Absences

The ESC reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the ESC will compensate the employees for the benefits through paid time off or some other means. The ESC records a liability for accumulated unused vacation time when earned for those eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the ESC has identified as probable of receiving payment in the future. The liability is based on accumulated sick leave and employee wage rates at fiscal year-end, taking into consideration any limits specified in the ESC's termination policy.

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

J. Fund Balance Reserves

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

K. Net Assets

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

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

L. Estimates

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

M. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The ESC made no interfund transfers during fiscal year 2008.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2008, the ESC has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the ESC; however, certain disclosures related to postemployment benefits (see Note 16) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the ESC.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 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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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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all ESC deposits was \$985,105. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,320,173 of the ESC's bank balance of \$1,420,173 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

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.

B. Investments

As of June 30, 2008, the ESC had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 743,243	\$ 743,243

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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 743,243	100.00

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 985,105
Investments	<u>743,243</u>
Total	<u>\$1,728,348</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$1,134,789
Agency funds	<u>593,559</u>
Total	<u>\$1,728,348</u>

NOTE 5 - INTERFUND TRANSACTIONS

Loans between governmental funds and the agency fund are reported as "loans receivable/payable" on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	\$ 490

This loan is expected to be repaid in the subsequent year as resources become available in the agency funds.

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. In fiscal year 2008, the State Board of Education reduced ESC funding by approximately 9.8%.

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their state foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment. The local school districts to which the ESC provides services have agreed to pay \$8.50 per pupil to provide additional funding for services provided by the ESC.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the items of receivables reported on the statement of net assets follows:

Governmental Activities:

Intergovernmental	<u>\$ 189,615</u>
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Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in the subsequent year.

NOTE 8 - OPERATING LEASE - LESSOR DISCLOSURE

During fiscal year 2008, the ESC entered into an operating lease with Buckeye Joint Vocational School District (the "District") for the use of a building that will be donated to the ESC and then leased back to the District. This lease meets the criteria of an operating lease as defined by FASB Statement No. 13 "Accounting for Leases". The lease payment is \$2,000 per month; however, the District has paid construction costs for the building and may use these costs as a credit against the rent payment. At June 30, 2008, the District paid \$321,083 in construction costs and the building was not completed and had not been turned over to the ESC by the District. The lease payments from the District will not be due until the construction of the building is completed, which is expected to occur during fiscal year 2009.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance			Balance
	<u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 22,360	\$ -	\$ -	\$ 22,360
Total capital assets, not being depreciated	<u>22,360</u>	<u>-</u>	<u>-</u>	<u>22,360</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	94,933	-	-	94,933
Buildings and improvements	1,865,701	-	-	1,865,701
Furniture and equipment	349,626	18,128	(11,561)	356,193
Vehicles	24,000	-	-	24,000
Total capital assets, being depreciated	<u>2,334,260</u>	<u>18,128</u>	<u>(11,561)</u>	<u>2,340,827</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(35,601)	(4,747)	-	(40,348)
Buildings and improvements	(359,418)	(63,329)	-	(422,747)
Furniture and equipment	(184,412)	(33,857)	11,561	(206,708)
Vehicles	(10,500)	(3,000)	-	(13,500)
Total accumulated depreciation	<u>(589,931)</u>	<u>(104,933)</u>	<u>11,561</u>	<u>(683,303)</u>
Governmental activities capital assets, net	<u>\$ 1,766,689</u>	<u>\$ (86,805)</u>	<u>\$ -</u>	<u>\$ 1,679,884</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 15,580
Special	708

Support Services:

Pupil	1,574
Instructional staff	20,673
Administration	57,488
Fiscal	624
Business	8,198
Central	88

Total depreciation expense \$ 104,933

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

On April 11, 2002 the ESC entered into a lease-purchase with J.P. Morgan Chase for financing the acquisition, renovation, rehabilitation, furnishing, equipping and otherwise improving a building for use as an administration building.

Capital assets consisting of building and improvements have been capitalized in the amount of \$1,300,000. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$357,500, leaving a current book value of \$942,500. A corresponding liability was recorded in the government-wide financial statements. Principal payments in the 2008 fiscal year totaled \$118,364, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2009	<u>\$ 567,421</u>
Total minimum lease payment	567,421
Less: amount representing interest	<u>(30,426)</u>
Present value of minimum lease payments	<u>\$ 536,995</u>

In conjunction with the lease-purchase agreement, the ESC entered into a ground-lease agreement whereby the ESC subleases the real property upon which the renovations and building improvements are being made to JP Morgan Chase Leasing Corporation. The ESC is the lessor and JP Morgan Chase Leasing Corporation is the lessee under the ground-lease agreement. The sublease commenced on April 11, 2002 and terminates on April 11, 2014, or earlier upon the termination of the lease-purchase agreement by the ESC.

In conjunction with the lease-purchase agreement, the ESC entered into an escrow agreement with JP Morgan Chase Trust Company, N.A. and JP Morgan Chase Leasing Corporation whereby JP Morgan Chase Trust Company, N.A. acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the ESC authorizes and directs JP Morgan Chase Leasing Corporation to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. All funds in the escrow account were disbursed in fiscal year 2004. There were no funds remaining in the account at June 30, 2008.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - LEASE-PURCHASE AGREEMENT

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

Capital assets consisting of buildings and improvements have been capitalized in the amount of \$251,600. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$31,450, leaving a current book value of \$220,150. A corresponding liability was recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$20,966, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending,</u>	<u>Payments</u>
2009	\$ 20,966
2010	20,966
2011	20,966
2012	20,966
2013	20,966
2014 - 2016	<u>62,909</u>
Present value of minimum lease payments	<u>\$ 167,739</u>

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from Governing Board actions and State laws. Full-time certified and classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Accumulated vacation time is paid to eligible employees upon termination of employment. Certified employees who do not work 12 months are not entitled to vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a total of 200 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 45 days. Any employee receiving such payment must meet the retirement provisions set by STRS Ohio or SERS.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - LONG-TERM OBLIGATIONS

During fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 305,423	\$ 21,911	\$ (36,156)	\$ 291,178	\$ 42,563
Capital lease obligation	655,359	-	(118,364)	536,995	536,995
Lease-purchase agreement	<u>188,705</u>	<u>-</u>	<u>(20,966)</u>	<u>167,739</u>	<u>20,966</u>
Total long-term obligations, governmental activities	<u>\$ 1,149,487</u>	<u>\$ 21,911</u>	<u>\$ (175,486)</u>	<u>\$ 995,912</u>	<u>\$ 600,524</u>

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

NOTE 14 - RISK MANAGEMENT

A. Comprehensive and Employee Health Insurance

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the ESC contracted with Westfield Insurance Company for commercial property insurance based on information provided by Valuation Engineers, Inc., with a \$500 deductible limit per year.

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

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

B. Workers' Compensation

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or their designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 14 - RISK MANAGEMENT - (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

C. Health Care Benefits

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

NOTE 15 - 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 2008, 9.16 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, 2008, 2007 and 2006 were \$111,129, \$114,116 and \$106,304, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 15 - PENSION PLANS - (Continued)

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.

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 2008, 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, 2008, 2007, and 2006 were \$469,979, \$470,335 and \$453,415, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,812 made by the ESC and \$10,706 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, 2008, certain members of the Governing Board have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 16 - 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 401h. For 2008, 4.18 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 2008, this amount was \$35,800.

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

The ESC's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$69,176, \$58,837 and \$58,048, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$8,007, \$7,760 and \$8,461, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org 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 2008, 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, 2008, 2007 and 2006 were \$36,152, \$36,180 and \$34,878, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - SUBSEQUENT EVENT

On November 18, 2008, the ESC amended its lease agreement with JP Morgan Chase to extend the payment period on the outstanding amount to fiscal year 2017.

SUPPLEMENTARY INFORMATION

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition	\$ 1,774,391	\$ 1,966,893	\$ 1,966,893	\$ -
Earnings on investments	25,584	28,360	28,360	-
Contract services	2,706,817	3,000,477	3,000,477	-
Intergovernmental - State	1,142,847	1,266,834	1,266,834	-
Intergovernmental - Federal	1,925	2,134	2,134	-
Total revenue	5,651,564	6,264,698	6,264,698	-
Expenditures:				
Current:				
Instruction:				
Regular	287,112	291,230	291,230	-
Special	794,183	805,574	805,574	-
Vocational	34,162	34,652	34,652	-
Other	16,269	16,502	16,502	-
Support services:				
Pupil	1,945,320	1,973,223	1,973,223	-
Instructional staff	1,892,895	1,920,044	1,920,044	-
Board of education	24,990	25,348	25,348	-
Administration	259,102	262,818	262,818	-
Fiscal	191,578	194,326	194,326	-
Business	149,780	151,928	151,928	-
Operations and maintenance	127,384	129,211	129,211	-
Pupil transportation	9,250	9,383	9,383	-
Central	226,313	229,559	229,559	-
Facilities acquisition and construction	55,876	56,677	-	56,677
Debt service:				
Principal retirement	137,360	139,330	139,330	-
Interest and fiscal charges	37,117	37,649	37,649	-
Total expenditures	6,188,691	6,277,454	6,220,777	56,677
Excess of revenues over expenditures	(537,127)	(12,756)	43,921	56,677
Other financing sources/(uses):				
Advances in	19,893	22,051	22,051	-
Advances out	-	-	(490)	(490)
Total other financing uses	19,893	22,051	21,561	(490)
Net change in fund balance	(517,234)	9,295	65,482	56,187
Fund balance at beginning of year	1,048,486	1,048,486	1,048,486	-
Fund balance at end of year	\$ 531,252	\$ 1,057,781	\$ 1,113,968	\$ 56,187

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the ESC is reporting financial position, results of operations, and changes in fund 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 schedule of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and 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 advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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	\$ 65,482
Net adjustment for revenue accruals	(40,129)
Net adjustment for expenditure accruals	(414,341)
Net adjustment for other sources/(uses)	<u>(21,561)</u>
GAAP basis	<u>\$ (410,549)</u>

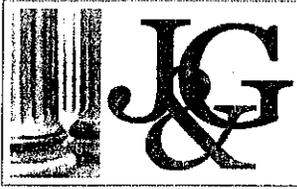
TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
(C) Special Education Cluster: Special Education Grants to States	84.027	2007	\$ 242,892	\$ 329,485
Total Special Education Grants to State			242,892	329,485
(C) Special Education Preschool Grants	84.173	2007	-	250
(C) Special Education Preschool Grants	84.173	2008	70,462	70,263
Total Special Education Preschool Grants			70,462	70,513
Total Special Education Cluster			313,354	399,998
Even Start State Educational Agencies	84.213	2007	3,100	3,416
Even Start State Educational Agencies	84.213	2008	157,500	157,992
Total Even Start State Educational Agencies			160,600	161,408
Twenty-First Century Community Learning Centers	84.287	2007	-	3,008
Twenty-First Century Community Learning Centers	84.287	2008	224,520	223,491
Total Twenty-First Century Community Learning Centers			224,520	226,499
Special Education - State Personnel Development	84.323	2007	37,869	18,781
Total Special Education - State Personnel Development			37,869	18,781
Total U.S. Department of Education			736,343	806,686
Total Federal Financial Assistance			\$ 736,343	\$ 806,686

(A) OAKS did not assign pass-through numbers for fiscal year 2008

(B) This schedule was prepared on the cash basis of accounting

(C) Included as part of "Special Education Grant Cluster" in determining major programs.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Tuscarawas-Carroll-Harrison Educational Service Center
Governing Board
834 East High Ave.
New Philadelphia, OH 44663

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Tuscarawas-Carroll-Harrison Educational Service Center as of and for the fiscal year ended June 30, 2008, which collectively comprise Tuscarawas-Carroll-Harrison Educational Service Center's basic financial statements and have issued our report thereon dated November 26, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tuscarawas-Carroll-Harrison 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 Tuscarawas-Carroll-Harrison Educational Service Center's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Tuscarawas-Carroll-Harrison 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 Tuscarawas-Carroll-Harrison 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 Tuscarawas-Carroll-Harrison Educational Service Center's financial statements that is more than inconsequential will not be prevented or detected by Tuscarawas-Carroll-Harrison 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 Tuscarawas-Carroll-Harrison Educational Service Center's internal control.

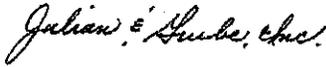
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Governing Board
Tuscarawas-Carroll-Harrison Educational Service Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tuscarawas-Carroll-Harrison Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Governing Board of Tuscarawas-Carroll-Harrison Educational Service Center and 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.



Julian & Grube, Inc.
November 26, 2008



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Tuscarawas-Carroll-Harrison Educational Service Center
Governing Board
834 East High Ave.
New Philadelphia, OH 44663

Compliance

We have audited the compliance of Tuscarawas-Carroll-Harrison Educational Service Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2008. The Tuscarawas-Carroll-Harrison Educational Service Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Tuscarawas-Carroll-Harrison Educational Service Center's management. Our responsibility is to express an opinion on Tuscarawas-Carroll-Harrison 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, *Audit 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 federal program occurred. An audit includes examining, on a test basis, evidence about Tuscarawas-Carroll-Harrison 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 Tuscarawas-Carroll-Harrison Educational Service Center's compliance with those requirements.

In our opinion, Tuscarawas-Carroll-Harrison Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of Tuscarawas-Carroll-Harrison 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 Tuscarawas-Carroll-Harrison Educational Service Center's internal control over compliance with the 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Tuscarawas-Carroll-Harrison Educational Service Center's internal control over compliance.

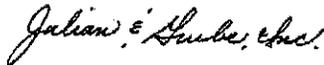
Governing Board
Tuscarawas-Carroll-Harrison Educational Service Center

A control deficiency in Tuscarawas-Carroll-Harrison Educational Service Center's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Tuscarawas-Carroll-Harrison Educational Service Center's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Tuscarawas-Carroll-Harrison 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Tuscarawas-Carroll-Harrison Educational Service Center's internal control.

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

This report is intended for the information and use of management and Governing Board of Tuscarawas-Carroll-Harrison Educational Service Center and 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.



Julian & Grube, Inc.
November 26, 2008

**TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER
TUSCARAWAS COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

TUSCARAWAS-CARROLL-HARRISON EDUCATIONAL SERVICE CENTER

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 6, 2009**

Local Government Innovation Fund Program

Application Score £ £

Lead Applicant	
Project Name	

	Grant Application
--	--------------------------

or

	Loan Application
--	-------------------------

The Local Government Innovation Fund Council
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001
(614) 995-2292

Local Government Innovation Fund Project Scoring Sheet

Section 1: Financing Measures

Financing Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
Financial Information	<i>Applicant includes financial information (i.e., service related operating budgets) for the most recent three years and the three year period following the project. The financial information must be directly related to the scope of the project and will be used as the cost basis for determining any savings resulting from the project.</i>	Applicant provides a thorough, detailed and complete financial information	5		
		Applicant provided more than minimum requirements but did not provide additional justification or support	3		
		Applicant provided minimal financial information	1		
		Points			
Repayment Structure (Loan Only)	<i>Applicant demonstrates a viable repayment source to support loan award. Secondary source can be in the form of a debt reserve, bank participation, a guarantee from a local entity, or other collateral (i.e., emergency rainy day , or contingency fund, etc.).</i>	Applicant clearly demonstrates a secondary repayment source.	5		
		Applicant does not have a secondary repayment source.	0		
		Points			
Local Match	<i>Percentage of local matching funds being contributed to the project. This may include in-kind contributions.</i>	70% or greater	5		
		40-69.99%	3		
		10-39.99%	1		
		Points			
Total Section Points					

Section 2: Collaborative Measures

Collaborative Measures	Description	Criteria	Max Points	Applicant Self Score	Validated Score
Population	<i>Applicant's population (or the population of the area(s) served) falls within one of the listed categories as determined by the U.S. Census Bureau. Population scoring will be determined by the smallest population listed in the application. Applications from (or collaborating with) small communities are preferred.</i>	Applicant (or collaborative partner) is not a county and has a population of less than 20,000 residents	5		
		Applicant (or collaborative partner) is a county but has less than 235,000	5		
		Applicant (or collaborative partner) is not a county but has a population 20,001 or greater.	3		
		Applicant (or collaborative partner) is a county with a population of 235,001 residents or more	3		
		Points			
Participating Entities	<i>Applicant has executed partnership agreements outlining all collaborative partners and participation agreements and has resolutions of support. (Note: Sole applicants only need to provide a resolution of support from its governing entity.)</i>	More than one applicant	5		
		Single applicant	1		
		Points			
Total Section Points					

Local Government Innovation Fund Project Scoring Sheet

Section 3: Success Measures

Success Measures	Description	Criteria	Points	Applicant Self Score	Validated Score
Expected Return	Applicant demonstrates as a percentage of savings (i.e., actual savings, increased revenue, or cost avoidance) an expected return. The return must be derived from the applicant's cost basis. The expected return is ranked in one of the following percentage categories:	75% or greater	30		
		25.01% to 74.99%	20		
		Less than 25%	10		
			Points		
Past Success	Applicant has successfully implemented, or is following project guidance from a shared services model, for an efficiency, shared service, coproduction or merger project in the past.	Yes	5		
		No	0		
			Points		
Scalable/Replicable Proposal	Applicant's proposal can be replicated by other local governments or scaled for the inclusion of other local governments.	The project is both scalable and replicable	10		
		The project is either scalable or replicable	5		
		Does not apply	0		
			Points		
Probability of Success	Applicant provides a documented need for the project and clearly outlines the likelihood of the need being met.	Provided	5		
		Not Provided	0		
			Points		
Total Section Points					

Section 4: Significance Measures

Significance Measures	Description	Criteria	Points Assigned	Applicant Self Score	Validated Score
Performance Audit Implementation /Cost Benchmarking	The project implements a single recommendation from a performance audit provided by the Auditor of State under Chapter 117 of the Ohio Revised Code or is informed by cost benchmarking.	Project implements a recommendation from an audit or is informed by benchmarking	5		
		Project does not implement a recommendation from an audit and is not informed by benchmarking	0		
			Points		
Economic Impact	Applicant demonstrates the project will a promote business environment (i.e., demonstrates a business relationship resulting from the project) and will provide for community attraction (i.e., cost avoidance with respect to taxes)	Applicant clearly demonstrates economic impact	5		
		Applicant mentions but does not prove economic impact	3		
		Applicant does not demonstrate an economic impact	0		
			Points		
Response to Economic Demand	The project responds to current substantial changes in economic demand for local or regional government services.	Yes	5		
		No	0		
			Points		
Total Section Points					

Section 5: Council Measures			
Council Measures	Description	Criteria	Points Assigned
Council Preference	Council Ranking for Competitive Rounds	The Applicant Does Not Fill Out This Section; This is for the Local Government Innovation Fund Council only. The points for this section is based on the applicant demonstrating innovation or inventiveness with the project	
Total Section Points (10max)			

Scoring Summary			
		Applicant Self Score	Validated Score
Section 1: Financing Measures			
Section 2: Collaborative Measures			
Section 3: Success Measures			
Section 4: Significance Measures			
Total Base Points:			

Reviewer Comments



April 2, 2012

Nicholas Brown
East Central Ohio Educational Service Center
834 East High Avenue
New Philadelphia, Ohio 44663

RE: Application Cure Letter

Dear Nicholas Brown:

The Ohio Department of Development (Development) has received and is currently reviewing your application for Round 1 of Local Government Innovation Fund program. During this review Development has determined that additional information is needed for your application. The identified item(s) requiring your attention are listed on the attached page(s). Please respond only to the issues raised. Failure to fully address all the identified items could lead to a competitive score reduction or ineligibility for Round 1 of the Local Government Innovation Fund program. **A written response from the applicant to this completeness review is due to Development no later than 5:00 p.m. on April 30, 2012.** Please send the response in a single email to lgif@development.ohio.gov and include "Cure—Project Name" in the subject line.

While this cure letter represents the additional information needed for Development review, the Local Government Innovation Council continues to reserve the right to request additional information about your application.

Thank you once again for your participation in Local Government Innovation program. Please contact the Office of Redevelopment at lgif@development.ohio.gov or 614-995-2292 if you have further questions regarding your application or the information requested in this letter.

Sincerely,

Thea J. Walsh, AICP
Deputy Chief, Office of Redevelopment
Ohio Department of Development

Local Government Innovation Fund Completeness Review

Applicant: East Central Ohio Educational Service Center
Project Name: SOS Project
Request Type: Grant

Issues for Response

1. Budget

Please provide a line item budget that includes at minimum: 1) the sources of all funds being contributed to the project include **all** sources—cash, in-kind, etc.; 2) the uses of all funds (provide a line item for each use); 3) the total project costs (including the funding request **and** the local match. Please be sure that all uses of funds are eligible expenses as set forth in the program guidelines.

Example:

Collaboration Village’s Project Budget

Sources of Funds

LGIF Request	\$100,000
Match Contribution (10%)	\$ 11,111
Total	\$111,111

Uses of Funds

Consultant Fees for Study	\$111,111
Total	\$111,111

Total Project Cost: \$111,111

2. Match

For **in-kind contributions**, please provide documentation as outlined in section 2.06 of the Local Government Innovation Fund program policies. Certification of in-kind contributions may only be made for past investments. Anticipated in-kind contributions must be certified **after** the contribution is made.

3. Partnership Agreements

Partnership agreements must be signed by all parties listed as collaborative partners. Please provide a partnership agreement that at minimum: 1) lists all collaborative partners; 2) lists the nature of the partnership; and 3) is signed by all parties. Please note, partnership agreements must be specific to the project for which funding is requested.

4. Self-Score Assessment

Please complete the interactive selection methodology available on the LGIF program website <http://www.development.ohio.gov/Urban/LGIF.htm> (select selection methodology) to score your project. Applicants do not need to complete the Council Preference or score validation sections when scoring their projects.

Project S.O.S. Budget

Source of Project Funds

LGIF Request	\$100,000
Match Contribution	\$14,520
<hr/>	
Total	\$114,520

Uses of Funds	Amount	Source
Consultant Fees for Study	\$35,000	LGIF Grant
Feasibility Survey	\$35,000	LGIF Grant
Remote Control Equipment	\$25,000	LGIF Grant
Fiscal Fee	\$5,000	LGIF Grant
Office Space	\$10,620	Match Contribution
Internet Access	\$1,200	Match Contribution
Computer Equipment	\$1,500	Match Contribution
Computer Software	\$1,200	Match Contribution
<hr/>		
Total	\$114,520	

Total Project Cost: \$114,520

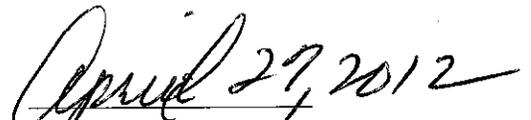
Project S.O.S. Shared Online Service In-Kind Services

The East Central Ohio Educational Service Center has provided through in-kind contributions the following materials and services:

Description	Amount
Office Space (12 Months) 60sq. ft commercial space \$ 14.75/sq ft	\$10,620.00
Internet Access (12 Months) High Speed Access @ \$100.00/month	\$1,200.00
Computer Equipment	\$1,500.00
Computer Software	\$1,200.00

Total in-kind contributions: \$14,520.00


ECOESC Representative


Date



Lisa Deems
Notary Public, State of Ohio
My Commission Expires
11/16/2016

**INTERAGENCY AGREEMENT
BETWEEN
EAST CENTRAL OHIO EDUCATIONAL SERVICE CENTER
AND
KENT STATE AT TUSCARAWAS**

THIS INTERAGENCY AGREEMENT (the "Agreement") is by and between East Central Ohio Educational Service Center, an educational entity serving schools in Tuscarawas, Carroll, Harrison and Belmont Counties and Kent State University at Tuscarawas, an institute of higher learning located in New Philadelphia, Ohio.

IT IS THE PURPOSE OF THIS AGREEMENT to memorialize the terms and conditions under which Kent State University at Tuscarawas will provide student interns to staff the proposed Shared Online Support Helpdesk located at the East Central Ohio Educational Service Center.

NOW, THEREFORE, the parties agree as follows:

I. STATEMENT OF WORK

Each party shall do all things necessary for and incidental to the performance of the duties set forth below.

A. Duties of East Central Ohio Educational Service Center:

1. Supply a Shared Online Support Helpdesk to service Tuscarawas County and surrounding counties
2. Provide an organized and supervised work experience from 50-150 hours per semester of unpaid supervised work for the Computer Practicum class or 150 hours per semester of unpaid supervised work for the Internship for Computer Technology.
3. Provide instruction to students who will provide technical assistance to the agencies who call in to utilize the help desk services.
4. Upon completion of required internship hours, students will be evaluated and considered for possible employment by the ECOESC to continue providing technical help desk assistance.

B. Duties of Kent State University at Tuscarawas

1. Provide student interns of sophomore or junior standing that are currently majoring in a computer technology degree program. Students must be enrolled in the Computer Practicum or Internship of Computer Technology in order to be eligible to provide help desk assistance.

II. PERIOD OF PERFORMANCE

This Agreement shall be for one year, and shall commence on approval of this grant proposal in 2012, and be completed one year from start of funding in 2013 (the "Term"), unless terminated sooner as provided herein.

III. PAYMENT

The parties have agreed that there will be no payment to the students for this internship program and no payments from Kent State University at Tuscarawas for any expenses incurred by this proposal.

XVII. CONTRACT ADMINISTRATION

A designated contract administrator for each of the parties shall administer this Agreement and be responsible for and shall be the contact person for all communications regarding the performance of this Agreement.

The Contract Administrator for East Central Ohio Educational Service Center is:

Name: Nic Brown
Department: Director of Technology at the East Central Ohio Educational Service Center
Address: 834 East High Avenue New Philadelphia, Ohio
Telephone: (330) 308-9939 ext. 8250
Fax Number: (330) 308-0964

The Contract Administrator for Kent State University at Tuscarawas

Name: Sue Hoffman
Department: Computer Technology Program Coordinator
Address: 330 University Drive NE New Philadelphia, Ohio
Telephone: (330) 339-3391
Fax Number: (330) 339-3321

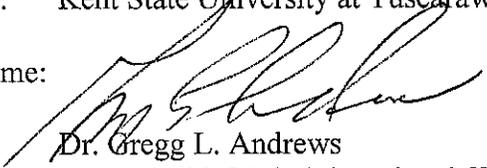
XVIII. SIGNATURES

The parties affirm they have designated the persons below to have signature authority for the parties. By their signatures on this Agreement, the parties agree to all of its terms and conditions.

Approved by:

By: Kent State University at Tuscarawas

Name:


Dr. Gregg L. Andrews

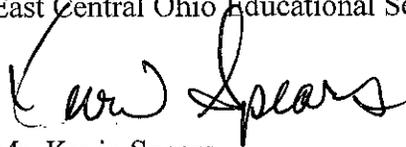
Title: Dean & Chief Administrative Officer

Date: 4/30/12

Approved by:

By: East Central Ohio Educational Service Center

Name:


Mr. Kevin Spears

Title: Superintendent, East Central Ohio ESC

Date: 4-30-12