

OHIO DEPARTMENT OF DEVELOPMENT

LOCAL GOVERNMENT INNOVATION FUND APPLICATION

Pooled Transportation Resources

TAB #1 CONTACT INFORMATION

- I. Applicant: Educational Service Center of Lorain County
- II. Address: 1885 Lake Avenue
Elyria, Ohio 44035
- III. Phone Number: 440-324-5777
- IV. Fax Number: 440-324-7355
- V. Email Address: rockwell@esclc.org
- VI. Primary Contact Information:
Dr. Thomas Rockwell
Superintendent
1885 Lake Avenue, Elyria, Ohio 44035
Phone Number: 440-324-5777 x 1102
- VII. County: Lorain

TAB #2 COLLABORATIVE PARTNERS

The Educational Service Center of Lorain County will be the single applicant for this grant application.

TAB #3 PROJECT INFORMATION

I. Project Name

Pooled Transportation Resources

II. Project Description

In the past five to seven years, a reoccurring concern expressed to the Educational Service Center is how the costs associated with providing for, and meeting, special transportation needs in Lorain County have increased exponentially. Cost increases, coupled with budget reductions, have resulted in agencies and school districts being unable to maintain adequate levels of transportation for their clients. Another factor influencing the situation is the diminished service of county public transportation routes. The purpose of this grant is to thoroughly analyze opportunities for non-profit agencies, county government and school districts to pool transportation resources.

Based on preliminary discussions and review, it is clear that many of the non-profit agencies, local governments and school districts are operating in isolation of each other, often duplicating client transportation services. In one instance, an agency reports that their transportation costs have risen from \$250,000 in 2007 to over a million dollars this year. We believe there are a minimum of ten non-profit agencies, fifteen public and community schools, as well as the county public transportation service that could realize substantial cost savings should they pool their transportation resources.

The initial phase would be to identify those entities that commit to participating in the project. A thorough analysis of their transportation needs and costs would then be completed. Opportunities to share or pool their transportation services would then be identified and an operational plan developed for implementation.

III. Type of Award

The Educational Service Center intends to use this grant to conduct a thorough feasibility study to determine if a comprehensive pooled transportation program would provide cost effective service to agencies and school districts in Lorain County.

A key finding would be that the program would be self funded and need no external financial support. In fact, the cost savings could be used to expand and enhance special transportation needs throughout Lorain County.

IV. Problem Statement

Lack of specialized transportation in Lorain County is one of the biggest deterrents to economic development. There are two specific situations that require analysis. The first deals with the resident's inability to access transportation. When individuals complete training and are placed in a new job, they often have no means of transportation to the work site. If they have health related issues that keep them from working, often individuals have no way of getting to a health care provider. It is a vicious circle.

The second factor is that each agency and school district is independently providing special transportation services for their clients/students. The services are typically provided by third party vendors who dictate prices to each entity. The agencies/school districts have little or no power to negotiate better pricing. Preliminary contacts with school districts find that some taxi routes are costing from \$50-\$200 per day. Official statistics show that school districts pay \$868,932 to third party vendors for special transportation services for students. Through this feasibility grant, we hope to answer the following question; "Lacking a comprehensive public transportation system and considering the high cost of third party private transportation, what can be done to economize the transportation costs while meeting the needs of the agencies and school districts?"

V. Targeted Approach

Our targeted approach will be to demonstrate that by pooling transportation resources within the agencies and school districts, dramatic financial *efficiencies* will occur.

VI. Return on investment

Differences between the various agencies and school districts make it difficult in a feasibility study to measure a return on investment. However, following an initial review of estimated transportation costs, an agency could save 35%-40% and school districts 10%-15%.

As an example, Job and Family Services contracted for nearly one million dollars in transportation fees last year. Implementing a pooled county-wide transportation service could save them \$350-\$400,000 annually. Considering the nearly \$869,000 spent on special transportation by Lorain County school districts last year, a potential saving of \$85-\$130,000 would be reasonable.

VII. Probability of Success

Existing budget constraints and the possibility of additional cuts have many agencies and school districts willing to consider working together for financial efficiencies. The attached letters of support are evidence of their endorsement of this study.

VIII. Plans for Project Implementation

- Phase One: Identify those agencies and school districts to determine those that have demonstrated the most significant investment in special transportation costs.
- Phase II: Meet individually to analyze the investment in transportation;
 1. Who are they transporting?
 2. How is the transportation service being delivered?
 3. Where are they being transported to and return?
 4. How are the funds for the transportation service being provided?
- Phase III: Identify those agencies and school districts that have the interest and resources to participate in a pooled service program.

Each agency and school district governing board would be required to pass a resolution to participate in the feasibility study.

IX. Plans and Ability to Replicate

With minor modifications, this plan could be easily replicated in other political subdivisions. Budget reductions have impacted available transportation services in every region of the state. This model could be replicated in a manner that would provide cost savings to each entity.

X. Is the Project Part of Larger Consolidation Effort

In Lorain County, we would start with those agencies and school districts that have the available resources to support a self sufficient operation. Once the basic transportation model is operational and successful, other agencies and school districts would be added to the pooled transportation initiative.

XI. Identification of Past Success

The Lorain County Educational Service was recently a primary decision maker in the merger of two Information Technology Centers (ITC). The two ITC sites are two of 23 Information Technology Centers that comprise the Ohio Education Computer Network. Our ESC provides indirect oversight to the Lake Erie Educational Computer Association (LEECA) and the Cuyahoga County ESC oversees the Lakeshore Northeast Ohio Computer Association. Both ITC sites provide technological services to K-12 public and non public schools.

In the fall of 2010, discussions were initiated between the two ITC executive directors and two ESC superintendents to analyze potential cost savings that might occur by merging the two ITC sites. Following the completion of a comprehensive cost-benefit-analysis, a decision was made to merge the two organizations. That merger has been phased in over the past six months and will be finalized in July, 2012.

XII. How Project Responds to Economic Demand for Services

The entire issue of diminished transportation services in Lorain County has a negative impact on our local economy. Considering the job market, if a person has an opportunity to work but has no transportation, both the employer and employee are negatively impacted. In other instances, people in need of physical or mental health care are unable to make appointments because transportation is unavailable. This again has a negative impact on the local economy.

XIII. Promotes Community Attraction

Any vibrant, stable, economically healthy community provides accessible transportation for its residents. Although this grant is focused on specialized transportation needs of our county, it is an integral part of the transportation umbrella.

TAB # 4 FINANCIAL DOCUMENTATION

PLEASE FIND ENCLOSED IN TAB NUMBER FOUR THE FINANCIAL DOCUMENTATION FOR THE LORAIN COUNTY EDUCATIONAL SERVICE CENTER.

INCLUDED ARE:

- A. FIVE YEAR FORCAST
- B. 2008 ESC AUDIT
- C. 2009 ESC AUDIT
- D. 2010 ESC AUDIT
- E. PROPOSED BUDGET

PROPOSED GRANT BUDGET

The ESC of Lorain County is requesting grant funding in the amount of \$63,150 to conduct a comprehensive pooled transportation feasibility study.

I. Anticipated Project Costs

A. Purchased Services

1. Consultant to analyze agency/district needs	
a. 65 days at a rate of \$480 per diem (\$60 per hour)	\$31,200
b. Prepare comprehensive summary report regarding specialized agency/school district transportation needs.	\$2,000
c. Travel Expense	\$1,950
2. Transportation Consultant to analyze consultant report and determine feasibility of coordinating transportation routes.	\$15,000
3. Educational Service Center administrative coordination and oversight.	\$10,000
4. ESC fiscal fee (5%)	<u>\$3,000</u>
Total Project Cost	\$63,150

B. Lorain County in kind contributions to the project

1. ESC Administrative Staff Involvement (120 hours at \$60 per hour)	\$7,200
2. Secretarial support services (40 hours at \$25 per hour)	\$1,000
3. Previous ESC purchased service expenditures for preliminary transportation analysis.	\$5,000
4. Previous ESC superintendent involvement in preliminary discussions with agency executives and district superintendents. (65 hours at \$60 per hour)	\$ 3,900
5. Consultant fringe benefit costs paid by the ESC	\$ 6,468
6. Consultant related costs	
a. ESC meeting and facility use	\$ 550
b. Office space, computer and phone	\$ 1,500
c. Miscellaneous office supplies	<u>\$ 200</u>
Total Contributions	\$25,818

TAB #5 SUPPORTING DOCUMENTATION

LETTERS OF SUPPORT/PARTICIPATION

PLEASE FIND ENCLOSED, IN TAB #5, LETTERS OF SUPPORT FROM THOSE AGENCIES AND SCHOOL DISTRICTS THAT ENTHUSIASTICALLY SUPPORT THE GRANT UNDER CONSIDERATION.

IF AWARDED THE GRANT, ALL HAVE EXPRESSED A COMMITMENT OF SUPPORT TO PARTICIPATE IN THE POOLED TRANSPORTATION FEASIBILITY STUDY.

SELF ASSESSMENT DOCUMENTATION

THE APPLICATION SCORING “SELF ASSESSMENT” IS INCLUDED WITH TAB #5.

Lorain County ESC - General Fund Five Year Forecast

Fiscal Year	HISTORY					FORECAST				
	2009	2010	2011	2012	2013	2014	2015	2016		
Revenue										
Excess Costs	\$ 2,626,069.16	\$ 3,331,331.12	\$ 3,471,192.26	\$ 3,500,000.00	\$ 3,550,000.00	\$ 3,600,000.00	\$ 3,650,000.00	\$ 3,700,000.00		
Interest	\$ 161,672.39	\$ 92,007.38	\$ 67,089.77	\$ 50,000.00	\$ 65,000.00	\$ 70,000.00	\$ 70,000.00	\$ 75,000.00		
Services Rendered	\$ 1,040,232.86	\$ 897,973.55	\$ 825,823.28	\$ 825,000.00	\$ 850,000.00	\$ 850,000.00	\$ 850,000.00	\$ 850,000.00		
State Foundation	\$ 1,550,725.29	\$ 1,718,665.70	\$ 1,696,936.18	\$ 1,586,029.71	\$ 1,454,276.74	\$ 1,454,276.74	\$ 1,454,276.74	\$ 1,454,276.74		
Transfers In			\$ 32,989.18							
Return of Advances	\$ 365,900.00	\$ 201,100.00	\$ 140,880.00	\$ 246,976.00						
Miscellaneous	\$ 170,882.70	\$ 13,745.24	\$ 2,858.27							
Total Revenues	\$ 5,915,482.40	\$ 6,254,822.99	\$ 6,237,768.94	\$ 6,208,005.71	\$ 5,919,276.74	\$ 5,974,276.74	\$ 6,024,276.74	\$ 6,079,276.74		
Expenditures										
Salaries	\$ 3,454,064.29	\$ 3,882,660.43	\$ 3,868,926.21	\$ 3,900,000.00	\$ 4,056,000.00	\$ 4,218,240.00	\$ 4,386,969.60	\$ 4,562,448.38		
Retirement & Insurances	\$ 1,167,065.46	\$ 1,255,218.25	\$ 1,324,224.44	\$ 1,377,193.42	\$ 1,432,281.15	\$ 1,489,572.40	\$ 1,549,155.30	\$ 1,611,121.51		
Purchased Services	\$ 698,730.52	\$ 701,675.95	\$ 688,853.35	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00	\$ 700,000.00		
Supplies & Materials	\$ 63,717.92	\$ 81,105.31	\$ 77,002.87	\$ 75,000.00	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00		
Capital Outlay	\$ 678,834.59	\$ 10,752.09	\$ 17,201.61	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00		
Misc. Items (Audit, Dues, Bonds)	\$ 37,437.41	\$ 30,414.89	\$ 39,337.88	\$ 38,000.00	\$ 38,000.00	\$ 38,000.00	\$ 38,000.00	\$ 38,000.00		
Advances Out	\$ 201,100.00	\$ 145,473.64	\$ 246,976.00							
Transfers	\$ 25,000.00		\$ 8,700.89							
Refunds to Customers			\$ 52,403.10							
Total Expenditures	\$ 6,325,950.19	\$ 6,107,300.56	\$ 6,323,626.35	\$ 6,110,193.42	\$ 6,306,281.15	\$ 6,525,812.40	\$ 6,754,124.90	\$ 6,991,569.89		
Encumbrances	\$ 198,764.14	\$ 267,476.90	\$ 156,681.36	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00		
Excess (Deficit) for year	\$ (211,703.65)	\$ 414,999.33	\$ 181,619.49	\$ 254,493.65	\$ (287,004.41)	\$ (451,535.66)	\$ (629,848.16)	\$ (812,293.15)		
Fiscal Year Beginning Balance	\$ 1,665,194.60	\$ 1,254,726.81	\$ 1,402,249.24	\$ 1,427,187.37	\$ 1,581,681.02	\$ 1,194,676.61	\$ 643,140.95	\$ 136,166.69		
Fiscal Year Ending Balance	\$ 1,254,726.81	\$ 1,402,249.24	\$ 1,427,187.37	\$ 1,581,681.02	\$ 1,194,676.61	\$ 643,140.95	\$ (86,707.21)	\$ (776,126.46)		
Please read the attached assumptions as they are an integral component of how the forecast was developed.										
Excess cost increase conservative										
State monies cut 10% in FY12 and additional 15% in FY13										
Salary increase of 1% for employees plus step and 2% for employees not eligible for a step										
Fringe benefits based on historical trends										
Investment income is unprecedented. Interest rates are still dropping.										
FY13 salary and fringe benefits is at 87% of expenses, should not exceed 85%										
Any additional new employees must be offset by future contracts										

Educational Service Center of Lorain County
Lorain County, Ohio

Single Audit

July 1, 2007 through June 30, 2008
Fiscal Year Audited Under GAGAS: 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Educational Service Center of Lorain County
Lorain County, Ohio
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Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, OH 44035

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

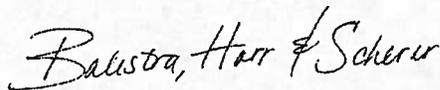
In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 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 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.

Educational Service Center of Lorain County
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The supplementary information on pages 39 through 42 provides additional information and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures on pages 43 and 44 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the supplementary information and the schedule of federal awards receipts and expenditures 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.

As described in Note 19, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension (OPEB)*.



Balestra, Harr & Scherer, CPAs, Inc.
February 27, 2009

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008 Unaudited

The discussion and analysis of the Educational Service Center of Lorain County's (the Educational Service Center) financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key Financial Highlights for 2008 are as follows:

- In total, net assets decreased by \$610,984.
- Revenues for governmental activities totaled \$8,769,647 in 2008. Of this total, 32 percent consisted of general revenues while program revenues accounted for the balance of 68 percent.
- Program expenses totaled \$9,380,631. Instructional expenses made up 23 percent of this total while support services accounted for 76 percent. Other expenses rounded out the remaining 1 percent.

Using this Annual Financial Report

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008 Unaudited

Reporting the Service Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Effective with this fiscal year, the *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, and operation of non-instructional services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 11. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the general fund, the miscellaneous state grants fund and the miscellaneous federal grants fund.

Governmental Funds

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2008
 Unaudited

The Educational Service Center as a Whole

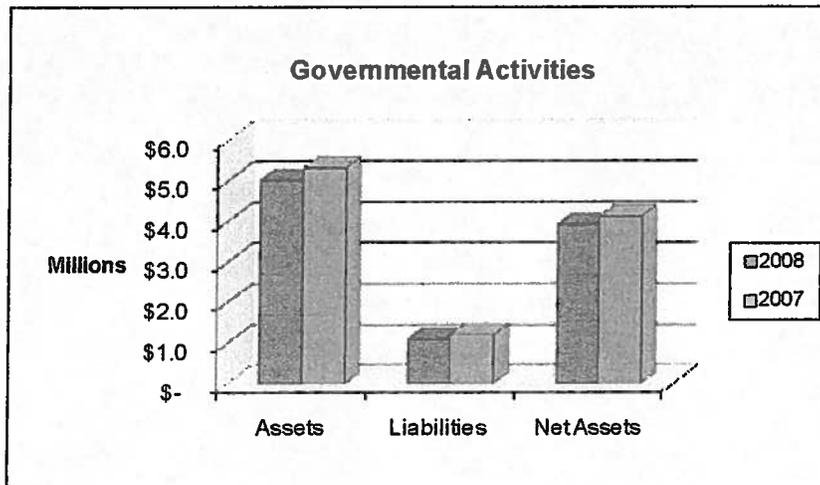
You may recall that the *Statement of Net Assets* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2008 compared to 2007:

**Table 1
 Net Assets**

	2008	2007
Assets		
Current and other assets	\$ 4,557,902	\$ 5,206,286
Capital assets, net	485,760	433,422
Total assets	5,043,662	5,639,708
Liabilities		
Current liabilities and other liabilities	730,699	757,893
Long term liabilities		
Due within one year	172,989	137,240
Due in more than one year	240,556	234,173
Total liabilities	1,144,244	1,129,306
Net assets		
Invested in capital assets, net of related debt	480,216	424,207
Restricted for	219,810	425,718
Unrestricted	3,199,392	3,660,477
Total net assets	\$ 3,899,418	\$ 4,510,402

Total assets decreased by \$ 596,046. Cash and cash equivalents decreased by \$ 396,100. Liabilities increased by \$ 14,938.

By comparing assets and liabilities, one can see that in the Educational Service Center's unrestricted net assets is \$ 3,899,418 and the entity is financially stable.



EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 2 compares the changes in net assets from fiscal year 2008 to fiscal year 2007. A comparative analysis of government-wide data follows.

Table 2
Change in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues		
Program Revenue		
Charges for services and sales	\$ 4,600,362	\$ 4,440,359
Operating grants, interest and contributions	<u>1,382,265</u>	<u>2,131,506</u>
Total program revenue	<u>5,982,627</u>	<u>6,571,865</u>
General revenue		
Grants and entitlements not restricted for specific purposes	2,474,078	1,678,154
Investment earnings	227,329	230,102
Miscellaneous	<u>85,613</u>	<u>10,283</u>
Total general revenues	<u>2,787,020</u>	<u>1,918,539</u>
Total revenues	<u>8,769,647</u>	<u>8,490,404</u>
Program expenses		
Instruction		
Regular	939,881	748,951
Special	1,265,065	1,100,734
Supporting services		
Pupil	1,000,409	984,966
Instructional staff	4,419,002	3,700,167
Board of education	54,251	40,134
Administration	640,577	539,996
Fiscal services	336,099	302,279
Business	489,863	524,005
Operation and maintenance	139,569	103,277
Central services	55,902	5,267
Operation of non-instructional services	25,624	295
Extracurricular activities	13,990	13,391
Interest	<u>399</u>	<u>587</u>
	<u>9,380,631</u>	<u>8,064,049</u>
Change in net assets	<u>\$ (610,984)</u>	<u>\$ 426,355</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

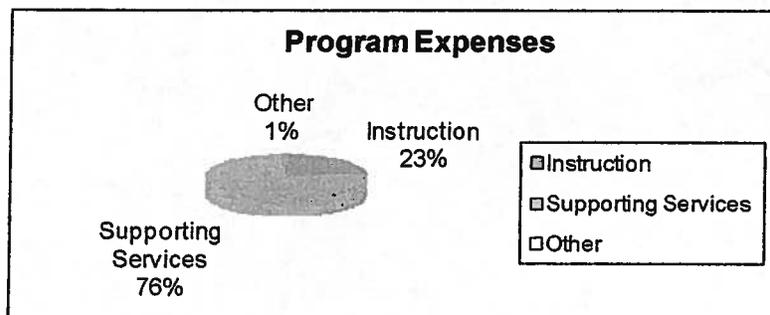
Governmental Activities

A review of Table 2 shows that the Educational Service Center had expenditures greater than revenues in fiscal 2008. Part of this was anticipated as we moved to a new model as a regional educational service center. This is likely to continue in fiscal 2009, but should be corrected by fiscal 2010. A possible decrease in state funding in the next biennium would require a re-evaluation of our fees and services structure in order to maintain financial stability. The categories of revenues and expenses are subject to interpretation and reclassification. Regardless, the bottom line is the same.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$3,398,004 Net Cost of Services 2008, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

Table 3
Net Cost of Services

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Governmental activities				
Instruction				
Regular	\$ 939,881	\$ (289,082)	\$ 748,951	\$ (9,373)
Special	1,265,065	(242,898)	1,100,734	112,636
Supporting services				
Pupil	1,000,409	(289,813)	984,966	19,211
Instructional staff	4,419,002	(948,716)	3,700,167	21,439
Board of education	54,251	(54,251)	40,134	40,134
Administration	640,577	(587,824)	539,996	382,023
Fiscal services	336,099	(323,531)	302,279	299,084
Business	489,863	(489,863)	524,005	524,005
Operation and maintenance	139,569	(138,569)	103,277	102,282
Central services	55,902	(27,839)	5,267	4,174
Operation of non-instructional services	25,624	(1,229)	295	295
Extracurricular activities	13,990	(3,990)	13,391	(4,313)
Interest	399	(399)	587	587
Totals	\$ 9,380,631	\$ (3,398,004)	\$ 8,064,049	\$ 1,492,184



EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The Educational Service Center's Funds

Information regarding the Educational Service Center's major funds can be found starting on page 11 and page 21 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 9,256,181 and expenditures and other financing uses totaled \$ 9,011,362. The General Fund balance increased \$ 415,149 primarily due to increased collections from customer sales and services revenues.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the Educational Service Center had \$485,760 invested in land, building and improvements, vehicles and furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal year 2008 values compared to 2007.

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

	2008	2007
Land	\$ 50,000	\$ 50,000
Building and improvements	264,493	252,555
Furniture and equipment	119,709	109,467
Vehicles	51,558	21,400
Total capital assets	<u>\$ 485,760</u>	<u>\$ 433,422</u>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 9 of the basic financial statements.

Current Financial Related Activities

The Educational Service Center of Lorain County is financially sound. The designation of the Educational Service Center as a Regional ESC by the State of Ohio has resulted in an excess of expenditures over revenues as we re-model and update our facilities. As part of this process, the Educational Service Center negotiated the purchase of a unused building from the Keystone Local School District in April of 2008. Legal and other issues postponed the actual purchase until September of 2008, thus the expenditure of \$ 515,000 for the building purchase is not included in this report. The Board and administration closely monitors its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

Contacting the Educational Service Center District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service center's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Mr. Tom Tomlin, Treasurer, at the Educational Service Center of Lorain County, 1885 Lake Ave., Lorain, Ohio 44035 or calling 440-324-5777 ext. 1124.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 3,362,702
Due from other governments	1,172,275
Accrued interest receivable	22,925
Capital assets	
Nondepreciable capital assets	50,000
Depreciable capital assets, net	<u>435,760</u>
Total assets	<u>5,043,662</u>
Liabilities	
Accounts and contracts payable	29,381
Accrued salaries, wages and benefits	549,463
Due to other governments	147,555
Interfund payable	4,300
Long term liabilities	
Due within one year	172,989
Due in more than one year	<u>240,556</u>
Total liabilities	<u>1,144,244</u>
Net assets	
Invested in capital assets, net of related debt	480,216
Restricted for other purposes	219,810
Unrestricted	<u>3,199,392</u>
Total net assets	<u>\$ 3,899,418</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants Interest and Contributions	Revenue and Changes in Net Assets
Governmental activities				
Instruction				
Regular	\$ 939,881	\$ 571,812	\$ 78,987	\$ (289,082)
Special	1,265,065	792,156	230,011	(242,898)
Supporting services				
Pupil	1,000,409	685,596	25,000	(289,813)
Instructional staff	4,419,002	2,550,798	919,488	(948,716)
Board of education	54,251	-	-	(54,251)
Administration	640,577	-	52,753	(587,824)
Fiscal services	336,099	-	12,568	(323,531)
Business	489,863	-	-	(489,863)
Operation and maintenance	139,569	-	1,000	(138,569)
Central services	55,902	-	28,063	(27,839)
Operation of non-Instructional services	25,624	-	24,395	(1,229)
Extracurricular activities	13,990	-	10,000	(3,990)
Interest	399	-	-	(399)
Totals	<u>\$ 9,380,631</u>	<u>\$ 4,600,362</u>	<u>\$ 1,382,265</u>	<u>(3,398,004)</u>

General revenues	
Grants and entitlements not restricted to specific purposes	2,474,078
Investment earnings	227,329
Miscellaneous	85,613
Total general revenues	<u>2,787,020</u>

Change in net assets	(610,984)
Net assets at beginning of year	4,510,402
Net assets at end of year	<u>\$ 3,899,418</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2008

	General Fund	Miscellaneous State Grants Fund	Miscellaneous Federal Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 2,934,294	\$ 215,101	\$ 100,729	\$ 112,578	\$ 3,362,702
Accrued interest receivable	22,925	-	-	-	22,925
Due from other governments	943,577	83,081	91,655	53,962	1,172,275
Interfund receivable	340,600	-	-	-	340,600
Total assets	\$ 4,241,396	\$ 298,182	\$ 192,384	\$ 166,540	\$ 4,898,502
Liabilities and fund balances					
Liabilities					
Accounts and contracts payable	\$ 22,769	\$ 2,377	\$ -	\$ 4,235	\$ 29,381
Accrued wages and benefits	523,223	6,853	-	19,387	549,463
Due to other governments	138,639	3,800	-	5,116	147,555
Interfund payable	-	209,400	119,000	16,500	344,900
Deferred revenue	107,380	-	46,575	32,028	185,983
Compensated absences payable	7,075	-	-	-	7,075
Total liabilities	799,086	222,430	165,575	77,266	1,264,357
Fund balances					
Reserved for encumbrances	274,496	179,000	561	26,799	480,856
Unreserved, reported in					
General Fund	3,167,814	-	-	-	3,167,814
Special Revenue Funds	-	(103,248)	26,248	62,475	(14,525)
Total fund balances	3,442,310	75,752	26,809	89,274	3,634,145
Total liabilities and fund balances	\$ 4,241,396	\$ 298,182	\$ 192,384	\$ 166,540	\$ 4,898,502

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2008

Total governmental funds balances	\$ 3,634,145
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	485,760
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to intergovernmental revenue.	185,983
Long term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(400,926)
Capital lease payable	<u>(5,544)</u>
Net assets of governmental activities	<u>\$ 3,899,418</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Miscellaneous State Grants Fund	Miscellaneous Federal Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Tuition and fees	\$ 3,508,675	\$ -	\$ -	\$ 608	\$ 3,509,283
Interest	227,329	-	-	-	227,329
Intergovernmental	2,675,276	466,848	175,333	532,193	3,849,650
Charges for services	1,584,913	-	-	-	1,584,913
Other	12,776	-	-	72,230	85,006
Total revenues	8,008,969	466,848	175,333	605,031	9,256,181
Expenditures					
Current					
Instruction					
Regular	700,097	95,883	-	71,958	867,938
Special	962,707	-	-	211,766	1,174,473
Supporting services					
Pupil	849,472	7,760	-	31,418	888,650
Instructional staff	3,406,264	516,082	151,924	207,220	4,281,490
Board of education	54,251	-	-	-	54,251
Administration	590,723	-	-	32,874	623,597
Fiscal services	309,778	-	4,922	8,500	323,200
Business	543,584	-	-	-	543,584
Operation and maintenance	172,874	-	-	2,200	175,074
Central services	-	-	55,172	730	55,902
Operation of non-instructional					
Community services	-	-	-	5,140	5,140
Extracurricular activities	-	-	-	13,990	13,990
Debt service					
Principal	3,671	-	-	-	3,671
Interest	399	-	-	-	399
Total expenditures	7,593,820	619,725	212,018	585,796	9,011,359
Excess (deficiency) of revenues over expenditures	415,149	(152,877)	(36,685)	19,235	244,822
Fund balances, beginning of year	3,027,161	228,629	63,494	70,039	3,389,323
Fund balances, end of year	\$ 3,442,310	\$ 75,752	\$ 26,809	\$ 89,274	\$ 3,634,145

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balance - total governmental funds	\$	244,822
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay		128,106
Depreciation expense		<u>(75,768)</u>
Total		52,338
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(486,533)
The issuance of long-term debt (e.g. leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		3,671
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(38,728)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue(expense) of the internal service fund is allocated amount the governmental activities.		<u>(386,554)</u>
Change in net assets of governmental activities	\$	<u>(610,984)</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities Internal Service Fund
Operating expenses	
Purchased services	\$ 386,554
Total operating expenses	386,554
Operating loss	(386,554)
Change in net assets	(386,554)
Net assets, beginning of year	386,554
Net assets, end of year	\$ -

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF CASH FLOWS –
PROPRIETARY FUND TYPE

FOR THE YEAR ENDED JUNE 30, 2008

	Governmental Activities Internal Service Fund
Cash flows from operating activities	
Cash payments for goods and services	\$ (386,554)
Net cash used in operating activities	<u>(386,554)</u>
Net decrease in cash and cash equivalents	(386,554)
Cash and cash equivalents, beginning of year	<u>386,554</u>
Cash and cash equivalents, end of year	<u>\$ -</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2008

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 2,847,801
Cash and cash equivalents in segregated accounts	11,482,851
Interest receivable	128,234
Interfund receivables	4,300
Due from others	<u>23,394</u>
Total assets	<u>14,486,580</u>
Liabilities	
Accounts payable	785
Accrued wages and benefits	57,644
Due to other governments	17,423
Due to others	14,162,760
Noncurrent liabilities:	
Due within one year	80,828
Due in over one year	<u>167,140</u>
Total liabilities	<u>\$ 14,486,580</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

On June 13, 1914, the Educational Service Center of Lorain County (the Educational Service Center) was formed. The Educational Service Center supplies supervisory, administrative, fiscal, and other needed services to school districts and other agencies in the greater Lorain County area.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's facility and staff who provide services to 29,733 students in local, city and exempted village school districts in Lorain County.

REPORTING ENTITY

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

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

The Educational Service Center is associated with certain organizations which are defined as a jointly governed organization. These organizations are presented in Note 8 to the basic financial statements. These organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC) and the Ohio Department of Education's School Support Team Region 2.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. The Educational Service Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB - pronouncements. Explanation of the Educational Service Center's more significant policies follow.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

Miscellaneous State Grants Fund – The miscellaneous state grant fund is used to account for miscellaneous grants received from the state which are restricted for a particular purpose.

Miscellaneous Federal Grants Fund – The miscellaneous federal grant fund is used to account for miscellaneous grants received from the federal government which are restricted for a particular purpose.

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

Proprietary Fund Types

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

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

Fiduciary Fund Type

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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. MEASUREMENT FOCUS

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS(continued)

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

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. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING (continued)

Expenditures/Expenses

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 CASH EQUIVALENTS

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2008, investments were limited to certificates of deposit, STAR Ohio, the State Treasurer's Investment Pool, treasury notes, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The Educational Service Center has invested funds in the State Treasury Asset Reserve of Ohio ("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 share price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2008, the general fund and LEECA received \$ 227,329 and \$ 82,152 in interest income, respectively.

The Educational Service Center is fiscal agent for LERC. The Educational Service Center has segregated LERC's funds into separate bank accounts for individual investment accounts held separate from the Educational Service Center's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the Educational Service Center's treasury.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$2,400. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, 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>Asset</u>	<u>Estimated Useful Life</u>
Land improvements	5 years
Buildings and Building Improvements	5 - 30 years
Furniture and equipment	5 - 10 years

H. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means

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

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

J. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

K. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports \$219,810 is restricted by enabling legislation.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. FUND BALANCE RESERVES

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

N. ESTIMATES

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

O. 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 School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

NOTE 3 - RESTATEMENT OF FUNDS

Within the fiduciary fund type, certain funds that were previously reported as an investment trust fund are now reported as an agency fund.

	<u>Investment Trust Fund</u>
Beginning net assets, as previously stated reported	\$ 2,653,754
Adjustment	<u>(2,653,754)</u>
Beginning net assets, as restated	<u>\$ -</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the Educational Service Center into three categories:

Category 1 consists of "active" moneys, those moneys are required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" moneys, those moneys 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).

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations 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 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS

6. The State Treasury Asset Reserve of Ohio; (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center's deposits may not be returned. The Educational Service Center does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$ 4,985,564 and the bank balance was \$ 5,954,547. Of the bank balance, \$ 5,281,029 was covered by federal depository insurance and \$ 673,517 was collateralized with securities held by the pledging institution's trust department not in the Educational Service Center's name.

C. INVESTMENTS

As of June 30, 2008, the Educational Service Center had the following investments and maturities:

Investment Type	Fair Value	1 Year or less	2 Years	3 Years	4 Years	5 Years
StarOhio	\$ 261,336	\$ 261,336	\$ -	\$ -	\$ -	\$ -
Money Markets	549,167	549,167	-	-	-	-
FHLB	5,067,615	1,178,267	299,343	1,049,535	1,849,440	691,030
FHLMC	2,093,797	-	-	749,237	100,741	1,243,819
FNMA	1,782,669	237,276	148,453	294,564	703,250	399,126
FHLM	449,499	-	201,054	248,445	-	-
FHLB Discount Note	983,952	983,952	-	-	-	-
FHLMC Discount Note	99,350	99,350	-	-	-	-
FNMA Discount Note	221,842	221,842	-	-	-	-
Federal Farm Credit	1,198,563	-	-	600,936	99,375	498,252
	<u>\$ 12,707,790</u>	<u>\$ 3,531,190</u>	<u>\$ 648,850</u>	<u>\$ 2,942,717</u>	<u>\$ 2,752,806</u>	<u>\$ 2,832,227</u>

The weighted average maturity of the investment is 2.71 years

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

D. 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 Educational Service Center's investment policy limits investment portfolio maturities to five years or less.

E. CREDIT RISK

The Educational Service Center's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio a rating of AAAm.

F. CONCENTRATION OF CREDIT RISK

The Educational Service Center's places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the Educational Service Center at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
StarOhio	\$ 261,336	2.06%
Money Markets	549,167	4.32%
FHLB	5,067,615	39.87%
FHLMC	2,093,797	16.48%
FNMA	1,782,669	14.03%
FHLM	449,499	3.54%
FHLB Discount Note	983,952	7.74%
FHLMC Discount Note	99,350	0.78%
FNMA Discount Note	221,842	1.75%
Federal Farm Credit	1,198,563	9.43%
	<u>\$ 12,707,790</u>	<u>100.00%</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds and all receivables will be collected within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amount</u>
General Fund	\$ 943,577
Miscellaneous State Grant Fund	83,081
Miscellaneous Federal Grant Fund	91,655
Non-major funds	
Preschool	18,105
Alternative Education	5,685
Public Preschool	16,716
Literacy Grant	13,456
Total Due from Other Governments	<u>\$ 1,172,275</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 6 - STATE FUNDING

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$37.00 for each of the 29,733 students who are provided services. In addition to the \$37.00, the Educational Service Center receives \$6.50 per pupil from school districts served and a prorated supervisory cost to the Educational Service Center. These payments are received through the State's foundation program. The Educational Service Center also receives unit funding from the State Department of Education to partially fund its pre-school special education program and the gifted and talented program.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$43.50 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)

LEECA is a jointly governed computer service organization among thirty-one members in the Ohio counties of Cuyahoga, Lorain, Erie, Huron, and Medina. These members are comprised of various public school districts and educational service centers in the counties previously mentioned. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. LEECA is organized under Chapter 167 and 3313 of the Ohio Revised Code. The Educational Service Center serves as fiscal agent for LEECA and is one of the members mentioned above. LEECA is governed by an assembly which consists of a superintendent or designated representative from each participating member. LEECA has a Board of Directors chosen from the general membership of the LEECA Assembly which consists of a representative from the fiscal agent, chairmen of various committees, and at least one member from each participating county. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing the Treasurer of the Educational Service Center of Lorain County, 1885 Lake Ave., Elyria, Ohio 44035.

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge. LERC is governed by a board of directors which consists of a superintendent or designated representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. STATE SUPPORT TEAM

House Bill 115 establishes the Educational Regional Service System and requires the creation of a coordinated, integrated and aligned system of state support and school district efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of educational services without reducing the availability of the services needed by the school districts and schools. The bill also contains information and deadlines for districts that want to transfer to another region.

The Educational Service Center serves as fiscal agent for the Region 2 State Support Team, one of sixteen Teams established by the Ohio Department of Education to provide support for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using the Tri-Tier Model, a differentiated technical assistance structure of support based upon need. The teams work through the office for Exceptional Children, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The Teams include staff and services formerly provided by the Special Education Regional Resource Centers and the Regional School Improvement Teams. Region 2 is comprised of Lorain, Huron, Erie and Ottawa counties.

NOTE 8 - CAPITAL ASSETS

Capital asset activity during fiscal year 2008 is as follows:

Governmental Activities	Balance June 30, 2007	Additions	Disposals	Balance June 30, 2008
Nondepreciable capital assets				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Depreciable capital assets				
Buildings and improvements	499,528	47,430	-	546,958
Furniture, fixtures and equipment	429,019	47,328	(22,902)	453,445
Vehicles	21,763	34,511	-	56,274
Total capital assets being depreciated	<u>950,310</u>	<u>129,269</u>	<u>(22,902)</u>	<u>1,056,677</u>
Less accumulated depreciation				
Buildings and improvements	(246,973)	(35,492)	-	(282,465)
Furniture, fixtures and equipment	(319,552)	(35,923)	21,739	(333,736)
Vehicles	(363)	(4,353)	-	(4,716)
Total accumulated depreciation	<u>(566,888)</u>	<u>(75,768)</u>	<u>21,739</u>	<u>(620,917)</u>
Depreciable capital assets, net of accumulated depreciation	<u>383,422</u>	<u>53,501</u>	<u>(1,163)</u>	<u>435,760</u>
Governmental activities capital assets, net	<u>\$ 433,422</u>	<u>\$ 53,501</u>	<u>\$ (1,163)</u>	<u>\$ 485,760</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	15,911
Supporting services		
Pupils		12,123
Instructional staff		32,580
Administration		4,546
Fiscal		4,546
Business		6,062
Total depreciation expense	\$	<u>75,768</u>

NOTE 9 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Educational Service Center contracted with Indiana Insurance Company for general liability insurance. Leased vehicles are covered by Indiana Insurance Company and have a \$50 deductible for comprehensive and a \$250 deductible for collision. The vehicle liability insurance is on an occurrence basis with a \$1,000,000 combined single limit. Claims have never exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year. Professional liability is protected by the Indiana Insurance Company with a \$5,000,000 annual aggregate/\$5,000,000 single occurrence limit and a \$10,000 deductible.

For fiscal year 2008, the Educational Service Center participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the Educational Service Center pays an enrollment fee to the program to cover the costs of administration.

For fiscal year June 30, 2007, the Education Service Center contracted with Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits. LERC operated as a claims-servicing pool through June 30, 2007. LERC's claims servicing pool business and affairs are conducted by a Board of Directors. Each member pays a monthly premium based on their claims history. All participating members retain their risk and LERC acts as the claims servicing agent

As of July 1, 2007, LERC began operating as an insurance purchasing pool. Accordingly, at June 30, 2008, there were not claims liability required to be reported based on the requirements of Governmental Accounting Standards Board Statement No. 10.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Unpaid claims, beginning of year	\$ -	\$ 179,340
Incurred claims	-	661,020
Claims payments	-	(840,360)
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ -</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLAN

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District'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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$ 363,869, \$ 339,245 and \$ 321,766 respectively; 100 percent has been contributed for all three fiscal years.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - The School District 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.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 571,946, \$ 590,803, and \$589,862 respectively; 100 percent has been contributed for all three fiscal years.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POST EMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 11 - POST EMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

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 \$38,743.

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 School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 108,641, \$ 80,277, and \$ 77,407 respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 17,154, \$ 16,442, and \$ 13,523 respectively; 100 percent has been contributed for all three fiscal years.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$ 43,996, \$ 42,578, and \$ 42,387 respectively; 100 percent has been contributed for all three fiscal years

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12 - EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to 30 days of vacation per year, depending upon length of service. Accumulated unused vacation (to a maximum of 40 days) is paid to employees upon termination of employment. Not all employees earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 120 days, and one-third of accumulated sick leave beyond 120 days, to a maximum accumulation of 210 days. Maximum payment may not exceed 60 days.

B. LIFE INSURANCE

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust in an amount equal to one half times the employee's salary rounded to the nearest \$500.

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during fiscal year 2008 are as follows:

	Balance			Amounts	
	June 30, 2007	Increase	Decrease	Balance	Due In
				June 30, 2008	One Year
Capital lease	\$ 9,215	\$ -	\$ 3,671	\$ 5,544	\$ 3,870
Compensated absences	362,198	235,845	190,042	408,001	169,119
	<u>\$ 371,413</u>	<u>\$ 235,845</u>	<u>\$ 193,713</u>	<u>\$ 413,545</u>	<u>\$ 172,989</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital lease payments will be paid from the general fund.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NOTE 14 - CAPITAL LEASE

The Educational Service Center entered into a lease agreement for financing certain equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of June 30, 2008. The assets acquired through capital lease consist of:

	Cost	Accumulated Depreciation	Net
Digital Duplicator	\$ 17,850	\$ 12,495	\$ 5,355

The future minimum lease obligations and the present value of the minimum lease payments as of June 30, 2008, are as follow:

	Year ending June 30,	Equipment
	2009	\$ 4,070
	2010	1,695
Total minimum lease payments		5,765
Less amount representing interest		221
Net present value of minimum lease payments		\$ 5,544

NOTE 15 - OPERATING LEASE

The Educational Service Center is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not reflected in the Educational Service Center's general long-term debt account group. During 2008, expenditures for the operating lease totaled \$8,910.

NOTE 16 - CONTINGENCIES

A. GRANTS

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2008.

B. LITIGATION

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 17 - INTERFUND ACTIVITIES

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
Major Fund:		
General Fund	\$ 340,600	\$ -
Non-major Funds:		
Literacy Grants	-	12,400
Preschool Grants	-	4,100
Miscellaneous State Grants	-	209,400
Miscellaneous Federal Grants	-	119,000
Total Non-major Funds	-	344,900
Agency Fund		
SERCC	4,300	-
	\$ 344,900	\$ 344,900

NOTE 18 - DEFICIT FUND BALANCE

The following fund had a deficit fund balance at June 30, 2008; Public Preschool, a non-major fund for \$ 6,893. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

Note 19 - CHANGE IN ACCOUNTING PRINCIPLE

For 2008, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension (OPEB)* and GASB Statement No. 50, *Pension Disclosures*. GASB Statement No. 45 establishes standards for disclosure of information on postemployment benefits other than pension. This statement applies to all state and local governments. GASB Statement No. 50 is intended to improve the transparency and decision usefulness of the reported information about pensions by state and local government plans and employers.

Note 20 - SUBSEQUENT EVENT

After June 30, 2008, the Educational Service Center purchased the West Carlisle Building for \$ 515,000 in order to centrally house its preschool program.

REQUIRED SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 7,391,132	\$ 7,640,897	\$ 7,640,892	\$ (5)
Expenditures and other financing uses	7,430,705	8,286,846	8,286,846	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(39,573)	(645,949)	(645,954)	(5)
Fund balances, beginning of year	3,047,105	3,047,105	3,047,105	-
Prior year encumbrances	283,518	283,518	283,518	-
Fund balances, end of year	<u>\$ 3,291,050</u>	<u>\$ 2,684,674</u>	<u>\$ 2,684,669</u>	<u>\$ (5)</u>

See the accompanying notes to the required supplementary information.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL – MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Miscellaneous State Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues and other financing sources	\$ 697,850	\$ 593,167	\$ 593,167	\$ -
Expenditures and other financing uses	732,870	812,158	812,158	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(35,020)	(218,991)	(218,991)	-
Fund balances, beginning of year	252,716	252,716	252,716	-
Fund balances, end of year	<u>\$ 217,696</u>	<u>\$ 33,725</u>	<u>\$ 33,725</u>	<u>\$ -</u>

	Miscellaneous Federal Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues and other financing sources	\$ 43,845	\$ 249,251	\$ 250,251	\$ 1,000
Expenditures and other financing uses	143,835	250,715	250,715	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(99,990)	(1,464)	(464)	1,000
Fund balances, beginning of year	102,191	102,191	102,191	-
Prior year encumbrances	1,141	1,141	1,141	-
Fund balances, end of year	<u>\$ 3,342</u>	<u>\$ 101,868</u>	<u>\$ 102,868</u>	<u>\$ 1,000</u>

See the accompanying notes to the required supplementary information.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - BUDGETARY DATA

The Educational Service Center adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

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

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

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). Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

	Net Change in Fund Balance		
	General Fund	Miscellaneous State Grants Fund	Miscellaneous Federal Grants Fund
Budget basis	\$ (645,954)	\$ (218,991)	\$ (464)
Adjustments, increase (decrease)			
Revenue accruals	368,077	(126,319)	(74,918)
Expenditure accruals	693,026	192,433	38,697
GAAP basis, as reported	\$ 415,149	\$ (152,877)	\$ (36,685)

Lorain County Educational Service Center
Lorain County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	6BSF	84.027	\$ 1,157,565	\$ 1,058,694
Special Education - Preschool Grants	PGS1	84.173	44,648	39,552
Total Special Education Cluster			1,202,213	1,098,246
Title I Grants to Local Education Agencies	CIS1	84.010	114,414	124,546
Education for Homeless Children and Youth	HCS1	84.196	46,818	46,226
Javits Gifted and Talented Education Grant Program	JGS1	84.206	4,777	4,777
Special Education - State Personnel Development	STS1	84.323	75,078	157,522
English Language Acquisition Grants	T3S1	84.365	28,405	18,449
Total United States Department of Education			1,471,705	1,449,766
Centers for Medicare and Medicaid Services				
Medical Assistance Program	N	93.778	-	346
Total Centers for Medicare and Medicaid Service			-	346
Total Federal Financial Assistance			\$ 1,471,705	\$ 1,450,112

N - Direct from federal agency

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

Educational Service Center of Lorain County
Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures includes the federal grant activity of the Educational Service Center of Lorain County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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***

Members of the Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Lorain County (the Center) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 27, 2009 in which we indicate that the Center implemented GASB Statement No. 50 and No. 45. 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' *Governmental Auditing Standards*..

Internal Control Over Financial Reporting

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

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

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

Members of the Board

Educational Service Center of Lorain County

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*

Page 2

Compliance and Other Matters

As part of obtaining reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express 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, members of the Board, 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.


Balestra, Harr & Scherer, CPAs, Inc.
February 27, 2009

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

Members of the Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

Compliance

We have audited the compliance of Educational Service Center of Lorain County, Lorain County, Ohio (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the 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 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 Center's internal control over compliance.

Board of Education

Educational Service Center of Lorain County

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

Page 2

Internal Control Over Compliance (Continued)

A control deficiency in an entity'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 the entity'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 the entity'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 the Center's internal control.

Our consideration of the 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 solely for the information and use of management, the Board of Education, 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.


Balestra, Harr & Scherer, CPAs, Inc.
February 27, 2009

Educational Service Center of Lorain County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

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

Educational Service Center of Lorain County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2008

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Service Organization Reporting – the Educational Service Center did not receive a SAS 70 report for the Lake Erie Regional Council (LERC)	No	Finding No Longer Valid; Lake Erie Regional Council became a purchasing pool effective July 1, 2007.

Lorain County Educational Service Center
Lorain County, Ohio

Single Audit

July 1, 2008 through June 30, 2009
Fiscal Year Audited Under GAGAS: 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Educational Service Center of Lorain County
Lorain County, Ohio
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Independent Auditor's Report

Members of the Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, OH 44035

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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, each major fund, and the aggregate remaining fund information of the Center, 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.

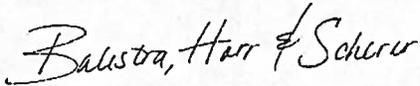
In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 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.

Educational Service Center of Lorain County
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The supplementary information on pages 37 and 38 provides additional information and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures on page 41 required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the supplementary information and the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 18 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "*Land and Other Real Estate Held as Investments by Endowments*" and GASB Statement No. 53, "*Accounting and Financial Reporting for Derivative Instruments*".



Balestra, Harr & Scherer, CPAs, Inc.
January 7, 2010

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009 Unaudited

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

Financial Highlights

Key Financial Highlights for 2009 are as follows:

- In total, net assets increased by \$ 46,346.
- Revenues for governmental activities totaled \$10,490,115 in 2009. Of this total, 25.5 percent consisted of general revenues while program revenues accounted for the balance of 74.5 percent.
- Program expenses totaled \$10,443,769. Instructional expenses made up 19.9 percent of this total while support services accounted for 79.9 percent. Other expenses rounded out the remaining 0.2 percent.

Using this Annual Financial Report

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009 Unaudited

Reporting the Service Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole considers all financial transactions and asks the question, "How did we do financially during 2009?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Effective with this fiscal year, the *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, and operation of non-instructional services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 11. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the general fund, the miscellaneous state grants fund and the miscellaneous federal grants fund.

Governmental Funds

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The Educational Service Center as a Whole

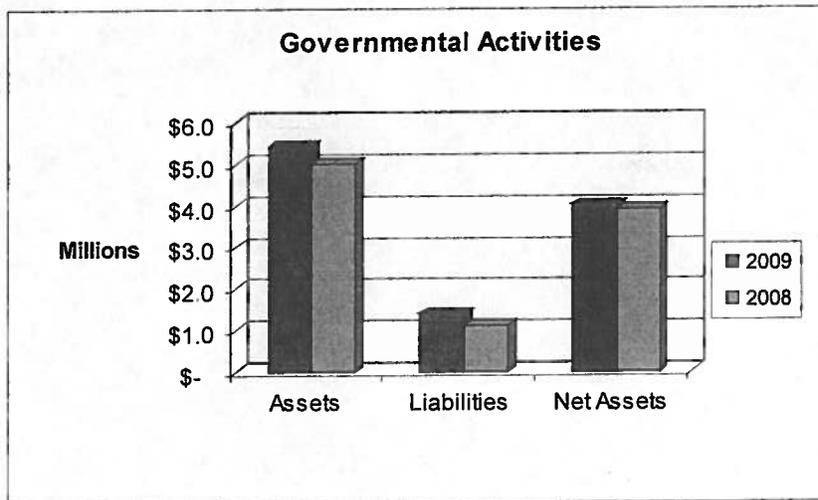
You may recall that the *Statement of Net Assets* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2009 compared to 2008:

**Table 1
Net Assets**

	2009	2008
Assets		
Current and other assets	\$ 4,117,110	\$ 4,557,902
Capital assets, net	1,226,761	485,760
Total assets	5,343,871	5,043,662
Liabilities		
Current liabilities and other liabilities	878,056	730,699
Long term liabilities		
Due within one year	204,473	172,989
Due in more than one year	315,578	240,556
Total liabilities	1,398,107	1,144,244
Net assets		
Invested in capital assets, net of related debt	1,225,087	480,216
Restricted	80,363	219,810
Unrestricted	2,640,314	3,199,392
Total net assets	\$ 3,945,764	\$ 3,899,418

Total assets increased by \$ 300,209, with the most significant increase in capital assets of \$ 741,001 and offset by a decrease in equity in pooled cash and cash equivalents of \$ 559,943. Liabilities increased by \$ 253,863, comprised of accounts payable, accrued salaries and benefits and compensated absences.

By comparing assets and liabilities, one can see that in the Educational Service Center's net assets is \$ 3,945,764 and the entity is financially stable.



EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Table 2 compares the changes in net assets from fiscal year 2009 to fiscal year 2008. A comparative analysis of government-wide data follows.

Table 2
Change in Net Assets

	<u>2009</u>	<u>2008</u>
Revenues		
Program revenue		
Charges for services and sales	\$ 5,329,041	\$ 4,600,362
Operating grants, interest and contributions	<u>2,494,686</u>	<u>1,382,265</u>
Total program revenue	<u>7,823,727</u>	<u>5,982,627</u>
General revenue		
Grants and entitlements not restricted for specific purposes	2,361,780	2,474,078
Investment earnings	153,351	227,329
Miscellaneous	<u>151,257</u>	<u>85,613</u>
Total general revenues	<u>2,666,388</u>	<u>2,787,020</u>
Total revenues	<u>10,490,115</u>	<u>8,769,647</u>
Program expenses		
Instruction		
Regular	845,957	939,881
Special	1,237,164	1,265,065
Supporting services		
Pupil	1,318,733	1,000,409
Instructional staff	5,038,723	4,419,002
Board of education	52,344	54,251
Administration	786,646	640,577
Fiscal services	389,933	336,099
Business	421,657	489,863
Operation and maintenance	332,737	139,569
Central services	4,993	55,902
Operation of non-instructional services	311	25,624
Extracurricular activities	14,371	13,990
Interest	<u>200</u>	<u>399</u>
	<u>10,443,769</u>	<u>9,380,631</u>
Change in net assets	<u>\$ 46,346</u>	<u>\$ (610,984)</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited**

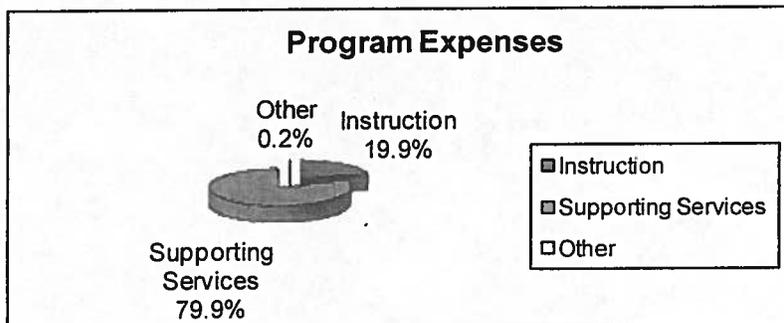
Governmental Activities

A possible decrease in state funding in the next biennium would require a re-evaluation of our fees and services structure in order to maintain financial stability. The categories of revenues and expenses are subject to interpretation and reclassification. Regardless, the bottom line is the same.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The (\$ 2,620,042) Net Cost of Services 2009, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

**Table 3
Net Cost of Services**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Governmental activities				
Instruction				
Regular	\$ 845,957	\$ (145,281)	\$ 939,881	\$ (289,082)
Special	1,237,164	(178,632)	1,265,065	(242,898)
Supporting services				
Pupil	1,318,733	(190,961)	1,000,409	(289,813)
Instructional staff	5,038,723	(279,540)	4,419,002	(948,716)
Board of education	52,344	(52,344)	54,251	(54,251)
Administration	786,646	(634,921)	640,577	(587,824)
Fiscal services	389,933	(384,381)	336,099	(323,531)
Business	421,657	(421,657)	489,863	(489,863)
Operation and maintenance	332,737	(332,737)	139,569	(138,569)
Central services	4,993	(4,993)	55,902	(27,839)
Operation of non-instructional services	311	5,976	25,624	(1,229)
Extracurricular activities	14,371	(371)	13,990	(3,990)
Interest	200	(200)	399	(399)
Totals	\$ 10,443,769	\$ (2,620,042)	\$ 9,380,631	\$ (3,398,004)



EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2009 Unaudited

The Educational Service Center's Funds

Information regarding the Educational Service Center's major funds can be found starting on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 10,829,914 and expenditures and other financing uses totaled \$ 11,341,871. The most significant fund, the General Fund had a fund balance decreased of \$ 430,976. This was primarily due to the cash purchase of an unused building from the Keystone Local School District.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Educational Service Center had \$1,226,761 invested in land, building and improvements, vehicles and furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal year 2009 values compared to 2008.

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

	2009	2008
Land	\$ 227,600	\$ 50,000
Building and improvements	787,956	264,493
Furniture and equipment	198,511	119,709
Vehicles	12,694	51,558
Total capital assets	<u>\$ 1,226,761</u>	<u>\$ 485,760</u>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

Current Financial Related Activities

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

Contacting the Educational Service Center District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service center's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Ms. Jill Orseno, Treasurer, at the Educational Service Center of Lorain County, 1885 Lake Ave., Lorain, Ohio 44035 or calling 440-324-5777 ext. 1125.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and investments	\$ 2,787,302
Accounts receivable	8,000
Due from other governments	1,311,054
Accrued interest receivable	10,754
Capital assets	
Nondepreciable capital assets	227,600
Depreciable capital assets, net	<u>999,161</u>
Total assets	<u><u>5,343,871</u></u>
Liabilities	
Accounts and contracts payable	73,576
Accrued salaries, wages and benefits	624,161
Due to other governments	180,319
Long term liabilities	
Due within one year	204,473
Due in more than one year	<u>315,578</u>
Total liabilities	<u><u>1,398,107</u></u>
Net assets	
Invested in capital assets, net of related debt	1,225,087
Restricted for other purposes	80,363
Unrestricted	<u>2,640,314</u>
Total net assets	<u><u>\$ 3,945,764</u></u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 845,957	\$ 624,555	\$ 76,121	\$ (145,281)
Special	1,237,164	846,672	211,860	(178,632)
Supporting services				
Pupil	1,318,733	1,104,772	23,000	(190,961)
Instructional staff	5,038,723	2,746,755	2,012,428	(279,540)
Board of education	52,344	-	-	(52,344)
Administration	786,646	-	151,725	(634,921)
Fiscal services	389,933	-	5,552	(384,381)
Business	421,657	-	-	(421,657)
Operation and maintenance	332,737	-	-	(332,737)
Central services	4,993	-	-	(4,993)
Operation of non-instructional services	311	6,287	-	5,976
Extracurricular activities				
Academic	14,371	-	14,000	(371)
Interest	200	-	-	(200)
Totals	<u>\$ 10,443,769</u>	<u>\$ 5,329,041</u>	<u>\$ 2,494,686</u>	<u>(2,620,042)</u>
General revenues				
Grants and entitlements not restricted to specific purposes				2,361,780
Investment earnings				153,351
Miscellaneous				151,257
Total general revenues				<u>2,666,388</u>
Change in net assets				46,346
Net assets at beginning of year				<u>3,899,418</u>
Net assets at end of year				<u>\$ 3,945,764</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	IDEA Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and investments	\$ 2,644,355	\$ 46,608	\$ 96,339	\$ 2,787,302
Receivables				
Accounts and other	8,000	-	-	8,000
Accrued interest receivable	10,754	-	-	10,754
Due from other governments	1,090,901	195,074	25,079	1,311,054
Interfund receivable	165,050	-	-	165,050
Total assets	<u>\$ 3,919,060</u>	<u>\$ 241,682</u>	<u>\$ 121,418</u>	<u>\$ 4,282,160</u>
Liabilities and fund balances				
Liabilities				
Accounts and contracts payable	\$ 58,143	\$ 10,778	\$ 4,655	\$ 73,576
Accrued wages and benefits	585,926	22,684	15,551	624,161
Due to other governments	146,791	30,145	3,383	180,319
Interfund payable	-	134,700	30,350	165,050
Deferred revenue	79,510	-	-	79,510
Compensated absences payable	37,356	-	-	37,356
Total liabilities	<u>907,726</u>	<u>198,307</u>	<u>53,939</u>	<u>1,159,972</u>
Fund balances				
Reserved for encumbrances	338,795	35,517	7,031	381,343
Unreserved, reported in				
General Fund	2,672,539	-	-	2,672,539
Special Revenue Funds	-	7,858	60,448	68,306
Total fund balances	<u>3,011,334</u>	<u>43,375</u>	<u>67,479</u>	<u>3,122,188</u>
Total liabilities and fund balances	<u>\$ 3,919,060</u>	<u>\$ 241,682</u>	<u>\$ 121,418</u>	<u>\$ 4,282,160</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2009

Total governmental funds balances	\$ 3,122,188
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	1,226,761
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These deferrals are attributed to intergovernmental revenue.	79,510
Long term liabilities and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(481,021)
Capital lease payable	(1,674)
Net assets of governmental activities	<u>\$ 3,945,764</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	IDEA Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Tuition and fees	\$ 3,516,650	\$ -	\$ 1,425	\$ 3,518,075
Interest	153,351	-	-	153,351
Intergovernmental	2,537,326	970,731	1,427,012	4,935,069
Charges for services	1,832,549	-	7,787	1,840,336
Other	89,999	-	92,157	182,156
Total revenues	8,129,875	970,731	1,528,381	10,628,987
Expenditures				
Current				
Instruction				
Regular	746,223	-	86,660	832,883
Special	1,010,388	-	216,248	1,226,636
Supporting services				
Pupil	1,298,396	-	25,961	1,324,357
Instructional staff	3,383,106	759,569	1,045,849	5,188,524
Board of education	52,344	-	-	52,344
Administration	570,532	167,787	34,072	772,391
Fiscal services	359,649	-	27,141	386,790
Business	420,863	-	-	420,863
Operation and maintenance	319,563	-	248	319,811
Central services	3,044	-	1,949	4,993
Operation of non-instructional				
Community services	-	-	311	311
Extracurricular activities	-	-	14,371	14,371
Capital outlay	592,600	-	-	592,600
Debt service				
Principal	3,870	-	-	3,870
Interest	200	-	-	200
Total expenditures	8,760,778	927,356	1,452,810	11,140,944
Excess (deficiency) of revenues over expenditures	(630,903)	43,375	75,571	(511,957)
Other financing sources (uses)				
Transfers-in	199,927	-	1,000	200,927
Transfers-out	-	-	(200,927)	(200,927)
Total other financing sources (uses)	199,927	-	(199,927)	-
Net change in fund balances	(430,976)	43,375	(124,356)	(511,957)
Fund balances, beginning of year	3,442,310	-	191,835	3,634,145
Fund balances, end of year	\$ 3,011,334	\$ 43,375	\$ 67,479	\$ 3,122,188

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balance - total governmental funds		\$ (511,957)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
	Capital outlay	875,979
	Loss on disposal of assets	(32,398)
	Depreciation expense	<u>(102,580)</u>
	Total	741,001
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(106,473)
The issuance of long-term debt (e.g. leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		3,870
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		<u>(80,095)</u>
Change in net assets of governmental activities		<u>\$ 46,346</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS

JUNE 30, 2009

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and investments	\$ 2,836,508
Cash and investments in segregated accounts	12,510,279
Interest receivable	90,742
Accounts receivable	146,413
Due from other governments	<u>72,239</u>
Total assets	<u>15,656,181</u>
Liabilities	
Accounts payable	139,437
Accrued wages and benefits	43,589
Due to other governments	9,441
Due to others	15,324,203
Noncurrent liabilities:	
Due within one year	55,178
Due in over one year	<u>84,333</u>
Total liabilities	<u>\$ 15,656,181</u>

See the accompanying notes to the Basic Financial Statements.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

On June 13, 1914, the Educational Service Center of Lorain County (the Educational Service Center) was formed. The Educational Service Center supplies supervisory, administrative, fiscal, and other needed services to school districts and other agencies in the greater Lorain County area.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's facility and staff who provide services to 29,733 students in local, city and exempted village school districts in Lorain County.

REPORTING ENTITY

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

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

The Educational Service Center is associated with certain organizations which are defined as a jointly governed organization. These organizations are presented in Note 8 to the basic financial statements. These organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC) and the Ohio Department of Education's School Support Team Region 2.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Explanation of the Educational Service Center's more significant policies follow.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

B. FUND ACCOUNTING

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

Governmental Funds

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. FUND ACCOUNTING (continued)

IDEA Fund – The IDEA fund is used to account for federal special education grants which are restricted for a particular purpose.

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

Fiduciary Fund Type

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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. MEASUREMENT FOCUS

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CASH AND INVESTMENTS

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2009, investments were limited to certificates of deposit, STAR Ohio (the State Treasurer's Investment Pool), treasury notes, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The Educational Service Center has invested funds in the 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 share price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2009, the general fund and LEECA received \$ 153,351 and \$ 72,613 in interest income, respectively.

The Educational Service Center is fiscal agent for LERC. The Educational Service Center has segregated LERC's funds into separate bank accounts for individual investment accounts held separate from the Educational Service Center's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the Educational Service Center's treasury.

F. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At June 30, 2009, the Educational Service Center did not have any prepaids.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$2,400. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, 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>Asset</u>	<u>Estimated Useful Life</u>
Land improvements	5 years
Buildings and Building Improvements	5 - 30 years
Furniture and equipment	5 - 10 years

H. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

I. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

K. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports \$ 22,372 is restricted by enabling legislation.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

M. FUND BALANCE RESERVES

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

N. ESTIMATES

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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 School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2009.

NOTE 3 - DEFICIT FUND BALANCE

At June 30, 2009, the following non-major funds had deficit fund balances; the Public Preschool Fund of \$ 10,817, the Miscellaneous State Grants Fund of \$ 2,932, and the Special Needs Preschool of \$1,903. The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the Educational Service Center into three categories:

Category 1 consists of "active" moneys, those moneys are required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" moneys, those moneys 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).

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio; (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center's deposits may not be returned. The Educational Service Center does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$5,284,684 and the bank balance was \$ 5,834,374. Of the bank balance, \$ 5,556,261 was covered by federal depository insurance and \$ 278,113 was collateralized with securities held by the pledging institution's trust department not in the Educational Service Center's name.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

C. INVESTMENTS

As of June 30, 2009, the Educational Service Center had the following investments and maturities:

Investment Type	Fair Value	1 Year or less	2 Years	3 Years	4 Years	5 Years
StarOhio	\$ 570,642	\$ 570,642	\$ -	\$ -	\$ -	\$ -
Money Markets	546,659	546,659	-	-	-	-
US Treasury	374,418	374,418	-	-	-	-
FHLB	2,055,969	100,314	225,211	-	-	1,730,444
FHLMC	4,746,212	-	200,490	1,854,400	453,312	2,238,010
FNMA	1,277,749	-	-	-	502,815	774,934
FFCB	1,520,559	-	821,026	-	-	699,533
FHLB Discount Note	848,640	848,640	-	-	-	-
FHLMC Discount Note	474,292	474,292	-	-	-	-
FNMA Discount Note	434,265	434,265	-	-	-	-
	<u>\$ 12,849,405</u>	<u>\$ 3,349,230</u>	<u>\$ 1,246,727</u>	<u>\$ 1,854,400</u>	<u>\$ 956,127</u>	<u>\$ 5,442,921</u>

D. 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 Educational Service Center's investment policy limits investment portfolio maturities to five years or less.

E. CREDIT RISK

The Educational Service Center's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio a rating of AAAm.

F. CONCENTRATION OF CREDIT RISK

The Educational Service Center's places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the Educational Service Center at June 30, 2009:

Investment Type	Fair Value	Percent of Total
StarOhio	\$ 570,642	4.44%
Money Markets	546,659	4.25%
US Treasury	374,418	2.91%
FHLB	2,055,969	16.00%
FHLMC	4,746,212	36.96%
FNMA	1,277,749	9.94%
FFCB	1,520,559	11.83%
FHLB Discount Note	848,640	6.60%
FHLMC Discount Note	474,292	3.69%
FNMA Discount Note	434,265	3.38%
	<u>\$ 12,849,405</u>	<u>100.00%</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 5 - RECEIVABLES

Receivables at June 30, 2009, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds and all receivables will be collected within one year. A summary of the principal items of intergovernmental receivables follows:

Governmental activities:	<u>Amount</u>
Major funds	
General fund	\$ 1,090,901
IDEA	195,074
Non-major funds	
Preschool	7,350
Miscellaneous state grants	17,729
Total due from other governments	<u>\$ 1,311,054</u>

NOTE 6 - STATE FUNDING

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$37.00 for each of the 29,733 students who are provided services. In addition to the \$37.00, the Educational Service Center receives \$6.50 per pupil from school districts served and a prorated supervisory cost to the Educational Service Center. These payments are received through the State's foundation program. The Educational Service Center also receives unit funding from the State Department of Education to partially fund its pre-school special education program and the gifted and talented program.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$43.50 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)

LEECA is a jointly governed computer service organization among thirty-one members in the Ohio counties of Cuyahoga, Lorain, Erie, Huron, and Medina. These members are comprised of various public school districts and educational service centers in the counties previously mentioned. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. LEECA is organized under Chapter 167 and 3313 of the Ohio Revised Code. The Educational Service Center serves as fiscal agent for LEECA and is one of the members mentioned above. LEECA is governed by an assembly which consists of a superintendent or designated representative from each participating member. LEECA has a Board of Directors chosen from the general membership of the LEECA Assembly which consists of a representative from the fiscal agent, chairmen of various committees, and at least one member from each participating county. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing the Treasurer of the Educational Service Center of Lorain County, 1885 Lake Ave., Elyria, Ohio 44035.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge. LERC is governed by a board of directors which consists of a superintendent or designated representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio.

C. STATE SUPPORT TEAM

House Bill 115 establishes the Educational Regional Service System and requires the creation of a coordinated, integrated and aligned system of state support and school district efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of educational services without reducing the availability of the services needed by the school districts and schools. The bill also contains information and deadlines for districts that want to transfer to another region.

The Educational Service Center serves as fiscal agent for the Region 2 State Support Team, one of sixteen Teams established by the Ohio Department of Education to provide support for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using the Tri-Tier Model, a differentiated technical assistance structure of support based upon need. The teams work through the office for Exceptional Children, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The Teams include staff and services formerly provided by the Special Education Regional Resource Centers and the Regional School Improvement Teams. Region 2 is comprised of Lorain, Huron, Erie and Ottawa counties.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Capital asset activity during fiscal year 2009 is as follows:

Governmental Activities	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Nondepreciable capital assets				
Land	\$ 50,000	\$ 177,600	\$ -	\$ 227,600
Depreciable capital assets				
Buildings and improvements	546,958	573,649	-	1,120,607
Furniture, fixtures and equipment	453,445	124,730	(31,185)	546,990
Vehicles	56,274	-	(34,511)	21,763
Total capital assets being depreciated	<u>1,056,677</u>	<u>698,379</u>	<u>(65,696)</u>	<u>1,689,360</u>
Less accumulated depreciation				
Buildings and improvements	(282,465)	(50,186)	-	(332,651)
Furniture, fixtures and equipment	(333,736)	(45,929)	31,186	(348,479)
Vehicles	(4,716)	(6,465)	2,112	(9,069)
Total accumulated depreciation	<u>(620,917)</u>	<u>(102,580)</u>	<u>33,298</u>	<u>(690,199)</u>
Depreciable capital assets, net of accumulated depreciation	<u>435,760</u>	<u>595,799</u>	<u>(32,398)</u>	<u>999,161</u>
Governmental activities capital assets, net	<u>\$ 485,760</u>	<u>\$ 773,399</u>	<u>\$ (32,398)</u>	<u>\$ 1,226,761</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	
Regular	\$ 6,790
Special	1,820
Supporting services	
Pupils	1,482
Instructional staff	11,550
Administration	7,213
Fiscal	1,059
Business	19,786
Operations and maintenance	52,880
Total depreciation expense	<u>\$ 102,580</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 9 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Educational Service Center contracted with Indiana Insurance Company for general liability insurance. Leased vehicles are covered by Indiana Insurance Company and have a \$50 deductible for comprehensive and a \$250 deductible for collision. The vehicle liability insurance is on an occurrence basis with a \$1,000,000 combined single limit. Claims have never exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year. Professional liability is protected by the Indiana Insurance Company with a \$5,000,000 annual aggregate/\$5,000,000 single occurrence limit and a \$10,000 deductible.

For fiscal year 2008, the Educational Service Center participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the Educational Service Center pays an enrollment fee to the program to cover the costs of administration.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District'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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$362,305, \$ 363,869, and \$ 339,245 respectively; 100 percent has been contributed for all three fiscal years.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

B. STATE TEACHERS RETIREMENT SYSTEM

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009 and 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$637,999, \$ 571,946, and \$ 590,803 respectively; 100 percent has been contributed for all three fiscal years.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 11 - POST EMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 19,409, \$ 17,154, and \$ 16,442, respectively; 100 percent has been contributed for all three fiscal years.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$ 107,656, \$ 108,641, and \$ 80,277, respectively; 100 percent has been contributed for all three fiscal years.

The SERS 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.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 11 - POST EMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$49,077, \$ 43,996, and \$ 42,578, respectively; 100 percent has been contributed for all three fiscal years.

NOTE 12 - EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to 30 days of vacation per year, depending upon length of service. Accumulated unused vacation (to a maximum of 40 days) is paid to employees upon termination of employment. Not all employees earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 120 days, and one-third of accumulated sick leave beyond 120 days, to a maximum accumulation of 210 days. Maximum payment may not exceed 60 days.

B. LIFE INSURANCE

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust in an amount equal to one half times the employee's salary rounded to the nearest \$500.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during fiscal year 2009 are as follows:

	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Amounts Due In One Year
Capital lease	\$ 5,544	\$ -	\$ 3,870	\$ 1,674	\$ 1,674
Compensated absences	408,001	279,495	169,119	518,377	202,799
	<u>\$ 413,545</u>	<u>\$ 279,495</u>	<u>\$ 172,989</u>	<u>\$ 520,051</u>	<u>\$ 204,473</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital lease payments will be paid from the general fund.

NOTE 14 - CAPITAL LEASE

The Educational Service Center entered into a lease agreement for financing certain equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of June 30, 2009. The assets acquired through capital lease consist of:

	Cost	Accumulated Depreciation	Net
Digital Duplicator	<u>\$ 17,850</u>	<u>\$ 16,065</u>	<u>\$ 1,785</u>

The future minimum lease obligations and the present value of the minimum lease payments as of June 30, 2009, are as follow:

	Year ending June 30, 2010	Equipment
Total minimum lease payments		<u>\$ 1,695</u>
Less amount representing interest		21
Net present value of minimum lease payments		<u>\$ 1,674</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 15 - OPERATING LEASE

The Educational Service Center is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not reflected in the Educational Service Center's general long-term debt account group. During 2009, expenditures for the operating lease totaled \$ 2,012.

Year ending June 30,	Amount
2010	\$ 12,072
2011	12,072
2012	12,072
2013	12,072
2014	10,060
	<u>\$ 58,348</u>

NOTE 16 - CONTINGENCIES

A. GRANTS

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2009.

B. LITIGATION

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 17 - INTERFUND ACTIVITIES

Interfund balances at June 30, 2009, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General Fund	\$ 165,050	\$ -
IDEA		134,700
Non-major Funds:		
Miscellaneous State Grants	-	23,000
ECSE Preschool	-	7,350
Total Non-major Funds	<u>-</u>	<u>30,350</u>
	<u>\$ 165,050</u>	<u>\$ 165,050</u>

Note 18 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" and GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB 52 establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments which includes permanent and term endowments and permanent funds. The District does not currently have these types of funds. GASB 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. Per Ohio Revised Code (ORC) the District is prohibited from investing in this type of instrument.

SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 7,782,264	\$ 7,780,285	\$ 8,556,605	\$ 501,089
Expenditures and other financing uses	8,294,343	8,555,607	9,240,123	144,886
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(512,079)	(573,896)	(683,518)	(109,620)
Fund balances, beginning of year	2,684,669	2,684,669	2,684,669	-
Prior year encumbrances	245,219	245,219	245,219	-
Fund balances, end of year	<u>\$ 2,417,809</u>	<u>\$ 2,355,992</u>	<u>\$ 2,246,370</u>	<u>\$ (109,620)</u>

See the accompanying notes to the supplementary information.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET BASIS (NON-GAAP) AND ACTUAL – MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2009

	IDEA Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues and other financing sources	\$ 977,489	\$ 977,489	\$ 935,657	\$ 41,832
Expenditures and other financing uses	977,489	935,344	935,344	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	42,145	313	41,832
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ 42,145	\$ 313	\$ 41,832

See the accompanying notes to the supplementary information.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - BUDGETARY DATA

The Educational Service Center adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

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

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

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). Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>		
	<u>General Fund</u>	<u>IDEA Fund</u>
Budget basis	\$ (683,518)	\$ 313
Adjustments, increase (decrease)		
Revenue accruals	(226,803)	35,074
Expenditure accruals	479,345	7,988
GAAP basis, as reported	<u>\$ (430,976)</u>	<u>\$ 43,375</u>

Lorain County Educational Service Center
Lorain County

Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	6BSF	84.027	\$ 814,465	\$ 1,013,116
Special Education - Preschool Grants	PGS1	84.173	59,075	69,139
Total Special Education Cluster			873,540	1,082,255
Title I Grants to Local Education Agencies	C1S1	84.010	100,474	100,474
Education for Homeless Children and Youth	HCS1	84.196	49,015	43,844
Special Education - State Personnel Development	STS1	84.323	160,800	42,456
English Language Acquisition Grants	T3S1	84.365	19,870	20,076
Total United States Department of Education			1,203,699	1,289,105
Total Federal Financial Assistance			\$ 1,203,699	\$ 1,289,105

N - Direct from federal agency

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

Educational Service Center of Lorain County
Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2009

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards receipts and expenditures includes the federal grant activity of the Educational Service Center of Lorain County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OM B Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Members of the Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center of Lorain County (the Center) as of and for the year ended June 30, 2009 which collectively comprise the Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 7, 2010, wherein we noted the Center implemented GASB Statements No. 52 and 53. 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' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Members of the Board

Educational Service Center of Lorain County

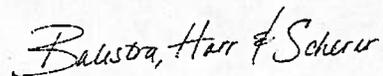
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Page 2

Compliance and Other Matters

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 7, 2010

BALESTRA, HARR & SCHERER, CPAs, INC.

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

Members of the Board
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

Compliance

We have audited the compliance of Educational Service Center of Lorain County, Lorain County, Ohio (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Center's major federal programs are 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 programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing other procedures 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 of the Center's compliance with those requirements.

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

Internal Control Over Compliance

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

Board of Education

Educational Service Center of Lorain County

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

Page 2

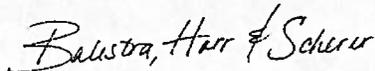
Internal Control Over Compliance (Continued)

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.
January 7, 2010

Educational Service Center of Lorain County
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2009

SUMMARY OF AUDITOR'S RESULTS

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

Educational Service Center of Lorain County
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2009

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Educational Service Center of Lorain County
Lorain County, Ohio

Single Audit

July 1, 2009 through June 30, 2010
Fiscal Year Audited Under GAGAS: 2010



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**LORAIN COUNTY EDUCATIONAL SERVICE CENTER
LORAIN COUNTY, OHIO**

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

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Independent Auditor's Report

Members of the Board
Lorain County Educational Service Center
Lorain County
1885 Lake Avenue
Elyria, OH 44035

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

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

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

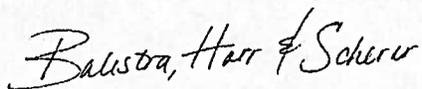
In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2010, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

Lorain County Educational Service Center
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The supplementary information on page 36 provides additional information and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards on page 39 required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the supplementary information and the schedule of receipts and expenditures of federal awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As discussed in Note 3 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "*Accounting and Reporting for Intangible Assets*" GASB Statement No. 57, "*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*" and GASB Statement No. 58, "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*".



Balestra, Harr & Scherer, CPAs, Inc.
December 4, 2010

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

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

Financial Highlights

Key Financial Highlights for 2010 are as follows:

- In total, net assets decreased by \$ 107,840.
- Revenues for governmental activities totaled \$10,738,433 in 2010. Of this total, 24.2 percent consisted of general revenues while program revenues accounted for the balance of 75.8 percent.
- Program expenses totaled \$ 10,846,273. Instructional expenses made up 20.4 percent of this total while support services accounted for 79.0 percent. Other expenses rounded out the remaining 0.6 percent.

Using this Annual Financial Report

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

Reporting the Service Center as a Whole

Statement of Net Assets and the Statement of Activities

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

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

Effective with this fiscal year, the *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, and operation of non-instructional services.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 11. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the general fund, the miscellaneous state grants fund and the miscellaneous federal grants fund.

Governmental Funds

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

The Educational Service Center as a Whole

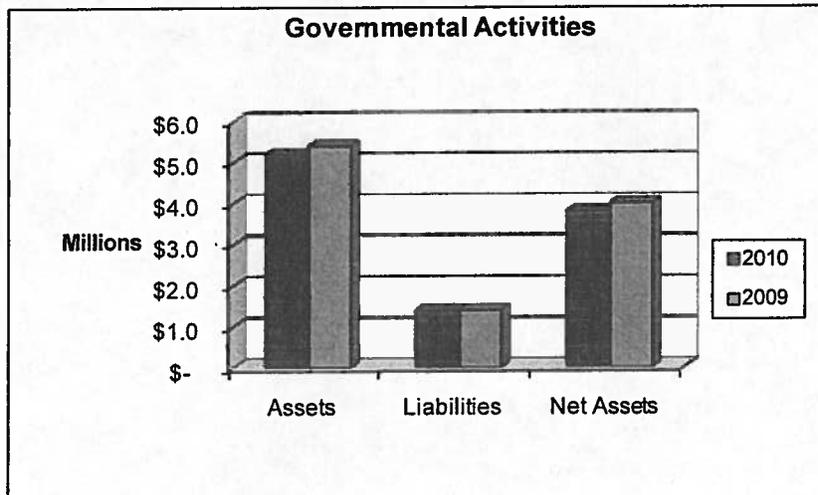
You may recall that the *Statement of Net Assets* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2010 compared to 2009:

**Table 1
Net Assets**

	2010	2009
Assets		
Current and other assets	\$ 4,077,836	\$ 4,117,110
Capital assets, net	1,168,037	1,226,761
Total assets	5,245,873	5,343,871
Liabilities		
Current liabilities and other liabilities	882,629	878,056
Long term liabilities		
Due within one year	178,816	204,473
Due in more than one year	346,505	315,578
Total liabilities	1,407,950	1,398,107
Net assets		
Invested in capital assets, net of related debt	1,168,037	1,225,087
Restricted for	87,756	80,363
Unrestricted	2,582,130	2,640,314
Total net assets	\$ 3,837,923	\$ 3,945,764

Total assets decreased by \$ 97,998, with the most significant decrease in equity in pooled cash and cash equivalents of \$ 77,316 and capital assets of \$ 58,724 and offset by an increase in due from other governments of \$ 41,638. Liabilities increased by \$ 9,843, comprised of accrued salaries and benefits and compensated absences with decreases in accounts payable and due to other governments.

By comparing assets and liabilities, one can see that in the Educational Service Center's net assets is \$ 3,837,923 and the entity is financially stable.



EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

Table 2 compares the changes in net assets from fiscal year 2010 to fiscal year 2009. A comparative analysis of government-wide data follows.

Table 2
Change in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenue		
Charges for services and sales	\$ 5,931,854	\$ 5,329,041
Operating grants, interest and contributions	<u>2,209,851</u>	<u>2,494,686</u>
Total program revenue	<u>8,141,705</u>	<u>7,823,727</u>
General revenue		
Grants and entitlements not restricted for specific purposes	2,478,598	2,361,780
Investment earnings	88,208	153,351
Miscellaneous	<u>29,922</u>	<u>151,257</u>
Total general revenues	<u>2,596,728</u>	<u>2,666,388</u>
Total revenues	<u>10,738,433</u>	<u>10,490,115</u>
Program expenses		
Instruction		
Regular	807,003	845,957
Special	1,407,402	1,237,164
Supporting services		
Pupil	1,623,736	1,318,733
Instructional staff	5,025,553	5,038,723
Board of education	34,940	52,344
Administration	726,842	786,646
Fiscal services	335,485	389,933
Business	524,622	421,657
Operation and maintenance	300,538	332,737
Central services	-	4,993
Operation of non-instructional services	47,867	311
Extracurricular activities	12,264	14,371
Interest	<u>21</u>	<u>200</u>
	<u>10,846,273</u>	<u>10,443,769</u>
Change in net assets	<u>\$ (107,840)</u>	<u>\$ 46,346</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

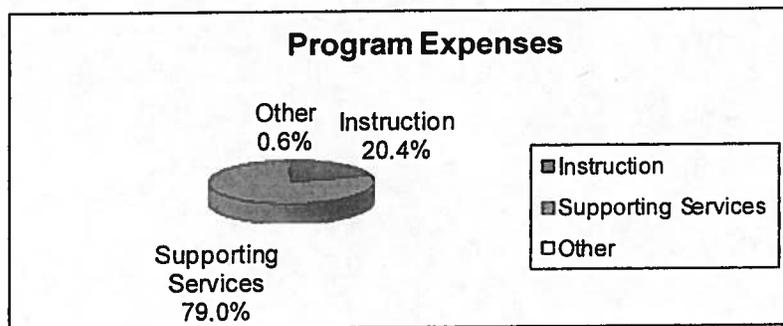
Governmental Activities

A possible decrease in state funding in the next biennium would require a re-evaluation of our fees and services structure in order to maintain financial stability. The categories of revenues and expenses are subject to interpretation and reclassification. Regardless, the bottom line is the same.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The (\$ 2,704,568) Net Cost of Services 2010, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

Table 3
Net Cost of Services

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Governmental activities				
Instruction				
Regular	\$ 807,003	\$ (127,949)	\$ 845,957	\$ (289,082)
Special	1,407,402	(121,330)	1,237,164	(242,898)
Supporting services				
Pupil	1,623,736	(270,099)	1,318,733	(289,813)
Instructional staff	5,025,553	(202,611)	5,038,723	(948,716)
Board of education	34,940	(34,940)	52,344	(54,251)
Administration	726,842	(726,842)	786,646	(587,824)
Fiscal services	335,485	(335,485)	389,933	(323,531)
Business	524,622	(524,622)	421,657	(489,863)
Operation and maintenance	300,538	(300,538)	332,737	(138,569)
Central services	-	-	4,993	(27,839)
Operation of non-instructional services	47,867	(47,867)	311	(1,229)
Extracurricular activities	12,264	(12,264)	14,371	(3,990)
Interest	21	(21)	200	(399)
Totals	\$ 10,846,273	\$ (2,704,568)	\$ 10,443,769	\$ (3,398,004)



EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

The Educational Service Center's Funds

Information regarding the Educational Service Center's major funds can be found starting on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 10,817,943 and expenditures and other financing uses totaled \$ 10,749,452. The most significant fund, the General Fund had a fund balance decrease of \$ 3,545.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the Educational Service Center had \$1,168,037 invested in land, building and improvements, vehicles and furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal year 2010 values compared to 2009.

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

	2010	2009
Land	\$ 227,600	\$ 227,600
Building and improvements	757,007	787,956
Furniture and equipment	165,753	198,511
Vehicles	17,677	12,694
Total capital assets	<u>\$ 1,168,037</u>	<u>\$ 1,226,761</u>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

Current Financial Related Activities

The Educational Service Center of Lorain County is financially sound. The Board and Administration closely monitors its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

Contacting the Educational Service Center District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Ms. Jill Orseno, Treasurer, at the Educational Service Center of Lorain County, 1885 Lake Ave., Lorain, Ohio 44035 or calling 440-324-5777 ext. 1125.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 2,709,986
Due from other governments	1,352,692
Accrued interest receivable	15,158
Capital assets	
Nondepreciable capital assets	227,600
Depreciable capital assets, net	<u>940,437</u>
Total assets	<u>5,245,873</u>
Liabilities	
Accounts and contracts payable	8,933
Accrued salaries, wages and benefits	704,788
Due to other governments	168,908
Long term liabilities	
Due within one year	178,816
Due in more than one year	<u>346,505</u>
Total liabilities	<u>1,407,950</u>
Net assets	
Invested in capital assets, net of related debt	1,168,037
Restricted for other purposes	87,756
Unrestricted	<u>2,582,130</u>
Total net assets	<u>\$ 3,837,923</u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 807,003	\$ 625,670	\$ 53,384	\$ (127,949)
Special	1,407,402	953,211	332,861	(121,330)
Supporting services				
Pupil	1,623,736	1,330,637	23,000	(270,099)
Instructional staff	5,025,553	3,022,336	1,800,606	(202,611)
Board of education	34,940	-	-	(34,940)
Administration	726,842	-	-	(726,842)
Fiscal services	335,485	-	-	(335,485)
Business	524,622	-	-	(524,622)
Operation and maintenance	300,538	-	-	(300,538)
Operation of non-instructional services	47,867	-	-	(47,867)
Extracurricular activities				
Academic	12,264	-	-	(12,264)
Interest	21	-	-	(21)
Totals	<u>\$ 10,846,273</u>	<u>\$ 5,931,854</u>	<u>\$ 2,209,851</u>	<u>(2,704,568)</u>
General revenues				
Grants and entitlements not restricted to specific purposes				2,478,598
Investment earnings				88,208
Miscellaneous				29,922
Total general revenues				<u>2,596,728</u>
Change in net assets				(107,840)
Net assets at beginning of year				3,945,763
Net assets at end of year				<u>\$ 3,837,923</u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in pooled cash and cash equivalents	\$ 2,613,141	\$ 96,845	\$ 2,709,986
Receivables			
Accrued interest receivable	15,158	-	15,158
Due from other governments	1,081,305	271,387	1,352,692
Interfund receivable	110,174	-	110,174
Total assets	<u>\$ 3,819,778</u>	<u>\$ 368,232</u>	<u>\$ 4,188,010</u>
Liabilities and fund balances			
Liabilities			
Accounts and contracts payable	\$ 6,166	\$ 2,767	\$ 8,933
Accrued wages and benefits	645,348	59,440	704,788
Due to other governments	155,947	12,961	168,908
Interfund payable	-	110,174	110,174
Compensated absences payable	4,528	-	4,528
Total liabilities	<u>811,989</u>	<u>185,342</u>	<u>997,331</u>
Fund balances			
Reserved for encumbrances	377,690	46,094	423,784
Unreserved, reported in			
General Fund	2,630,099	-	2,630,099
Special Revenue Funds	-	136,796	136,796
Total fund balances	<u>3,007,789</u>	<u>182,890</u>	<u>3,190,679</u>
Total liabilities and fund balances	<u>\$ 3,819,778</u>	<u>\$ 368,232</u>	<u>\$ 4,188,010</u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental funds balances	\$ 3,190,679
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	1,168,037
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds: Compensated absences	<u>(520,793)</u>
Net assets of governmental activities	<u>\$ 3,837,923</u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Tuition and fees	\$ 4,280,148	\$ 4,322	\$ 4,284,470
Interest	88,208	-	88,208
Intergovernmental	2,620,595	2,067,854	4,688,449
Charges for services	1,688,022	19,289	1,707,311
Other	2,280	47,225	49,505
Total revenues	<u>8,679,253</u>	<u>2,138,690</u>	<u>10,817,943</u>
Expenditures			
Current			
Instruction			
Regular	729,434	65,191	794,625
Special	1,111,534	290,934	1,402,468
Supporting services			
Pupil	1,556,455	48,017	1,604,472
Instructional staff	3,527,061	1,491,753	5,018,814
Board of education	34,940	-	34,940
Administration	649,463	59,720	709,183
Fiscal services	308,713	41,700	350,413
Business	501,019	-	501,019
Operation and maintenance	258,155	-	258,155
Operation of non-instructional			
Community services	-	47,867	47,867
Extracurricular activities	-	12,264	12,264
Capital outlay	4,329	9,208	13,537
Debt service			
Principal	1,674	-	1,674
Interest	21	-	21
Total expenditures	<u>8,882,798</u>	<u>2,066,654</u>	<u>10,749,452</u>
Net change in fund balances	(3,545)	72,036	68,491
Fund balances, beginning of year	<u>3,011,334</u>	<u>110,854</u>	<u>3,122,188</u>
Fund balances, end of year	<u>\$ 3,007,789</u>	<u>\$ 182,890</u>	<u>\$ 3,190,679</u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balance - total governmental funds	\$	68,491
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
	Capital outlay	108,485
	Depreciation expense	<u>(167,209)</u>
	Total	(58,724)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(79,510)
The issuance of long-term debt (e.g. leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		1,674
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		<u>(39,771)</u>
Change in net assets of governmental activities	\$	<u><u>(107,840)</u></u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

JUNE 30, 2010

	<u>Agency Funds</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 2,986,544
Cash and cash equivalents in segregated accounts	11,119,163
Interest receivable	4,647
Accounts receivable	18,277
Due from other governments	<u>3,012</u>
Total assets	<u>14,131,643</u>
Liabilities	
Accounts payable	47,245
Accrued wages and benefits	46,754
Due to other governments	8,016
Due to others	13,874,492
Noncurrent liabilities:	
Due within one year	97,077
Due in over one year	<u>58,059</u>
Total liabilities	<u>\$ 14,131,643</u>

See the accompanying notes to the Basic Financial Statement.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

On June 13, 1914, the Educational Service Center of Lorain County (the Educational Service Center) was formed. The Educational Service Center supplies supervisory, administrative, fiscal, and other needed services to school districts and other agencies in the greater Lorain County area.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's facility and staff who provide services to 29,860 students in local, city and exempted village school districts in Lorain County.

REPORTING ENTITY

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

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

The Educational Service Center is associated with certain organizations which are defined as a jointly governed organization. These organizations are presented in Note 7 to the basic financial statements. These organizations are the Lake Erie Educational Computer Association (LEECA), the Lake Erie Regional Council of Governments (LERC) and the Ohio Department of Education's School Support Team Region 2.

B. BASIS OF PRESENTATION

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Explanation of the Educational Service Center's more significant policies follow.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

Fund Financial Statements

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

C. FUND ACCOUNTING

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

Governmental Funds

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

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

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

Fiduciary Fund Type

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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. MEASUREMENT FOCUS

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

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

E. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

F. CASH AND INVESTMENTS

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2010, investments were limited to certificates of deposit, STAR Ohio (the State Treasurer's Investment Pool), treasury notes, and federal agency securities. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair market value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. CASH AND INVESTMENTS (continued)

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

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2010, the General Fund and LEECA received \$ 88,208 and \$ 41,955 in interest income, respectively.

The Educational Service Center is fiscal agent for LERC. The Educational Service Center has segregated LERC's funds into separate bank accounts for individual investment accounts held separate from the Educational Service Center's central bank account. These interest bearing depository accounts are presented on the combined balance sheet as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the Educational Service Center's treasury.

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. At June 30, 2010, the Educational Service Center did not have any prepaids.

H. CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$2,400. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, 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>Asset</u>	<u>Estimated Useful Life</u>
Land improvements	5 years
Buildings and Building Improvements	5 - 30 years
Furniture and equipment	5 - 10 years

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. INTERFUND BALANCES

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

J. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means

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

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

K. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

L. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The government-wide statement of net assets reports \$ 53,118 is restricted by enabling legislation.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available

N. FUND BALANCE RESERVES

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

O. ESTIMATES

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

P. 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 School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

NOTE 2 - DEFICIT FUND BALANCE

At June 30, 2010, the following non-major funds had deficit fund balances; the Public Preschool Fund of \$ 9,106, and the Miscellaneous Federal Grants Fund of \$1,661. The General Fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2010, the Educational Service Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the Educational Service Center's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the Educational Service Center's financial statements.

GASB Statement No. 58 provides 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. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Educational Service Center's financial statements.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the Educational Service Center into three categories:

Category 1 consists of "active" moneys, those moneys are required to be kept in a "cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Category 2 consists of "inactive" moneys, those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" moneys, those moneys 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).

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations 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 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio; (STAR Ohio).
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

B. DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center's deposits may not be returned. The Educational Service Center does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$5,180,454 and the bank balance was \$ 5,397,497. Of the bank balance, \$ 5,266,821 was covered by federal depository insurance and \$ 130,676 was collateralized with securities held by the pledging institution's trust department not in the Educational Service Center's name.

C. INVESTMENTS

As of June 30, 2010, the Educational Service Center had the following investments and maturities:

Investment Type	Fair Value	1 Year or less	2 Years	3 Years	4 Years	5 Years
StarOhio	\$ 771,569	\$ 771,569	\$ -	\$ -	\$ -	\$ -
Money Markets	211,677	211,677	-	-	-	-
US Treasury	149,719	149,719	-	-	-	-
FHLB	1,552,142	399,964	201,645	150,000	600,533	200,000
FHLMC	3,050,842	-	800,400	1,150,442	700,000	400,000
FNMA	3,021,000	-	-	1,100,000	100,000	1,821,000
FFCB	807,705	303,765	-	303,940	-	200,000
FHLB Discount Note	249,652	249,652	-	-	-	-
FHLMC Discount Note	424,167	424,167	-	-	-	-
Freddie Mac Discount Note	523,486	523,486	-	-	-	-
Fannie Mae Discount Note	349,223	349,223	-	-	-	-
FFCB Discount Note	149,797	149,797	-	-	-	-
FNMA Discount Note	374,260	374,260	-	-	-	-
	<u>\$ 11,635,239</u>	<u>\$ 3,907,279</u>	<u>\$ 1,002,045</u>	<u>\$ 2,704,382</u>	<u>\$ 1,400,533</u>	<u>\$ 2,621,000</u>

D. 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 Educational Service Center's investment policy limits investment portfolio maturities to five years or less.

E. CREDIT RISK

The Educational Service Center's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio a rating of AAAM.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

F. CONCENTRATION OF CREDIT RISK

The Educational Service Center's places no limit on the amount that may be invested to any one issuer. The following table includes the percentage of total of each investment type held by the Educational Service Center at June 30, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
StarOhio	\$ 771,569	6.63%
Money Markets	211,677	1.81%
US Treasury	149,719	1.29%
FHLB	1,552,142	13.34%
FHLMC	3,050,842	26.22%
FNMA	3,021,000	25.96%
FFCB	807,705	6.94%
FHLB Discount Note	249,652	2.15%
FHLMC Discount Note	424,167	3.65%
Freddie Mac Discount Note	523,486	4.50%
Fannie Mae Discount Note	349,223	3.00%
FFCB Discount Note	149,797	1.29%
FNMA Discount Note	374,260	3.22%
	<u>\$ 11,635,239</u>	<u>100.00%</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 2010, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds and all receivables will be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental activities:</u>	<u>Amount</u>
Major funds	
General fund	\$ 1,081,305
Non-major funds	
Preschool	6,318
IDEA	158,537
Title I	9,603
Miscellaneous state grants	96,929
Total due from other governments	<u>\$ 1,352,692</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 6 - STATE FUNDING

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$37.00 for each of the 29,860 students who are provided services. In addition to the \$37.00, the Educational Service Center receives \$6.50 per pupil from school districts served and a prorated supervisory cost to the Educational Service Center. These payments are received through the State's foundation program. The Educational Service Center also receives unit funding from the State Department of Education to partially fund its pre-school special education program and the gifted and talented program.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$43.50 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)

LEECA is a jointly governed computer service organization among thirty-one members in the Ohio counties of Cuyahoga, Lorain, Erie, Huron, and Medina. These members are comprised of various public school districts and educational service centers in the counties previously mentioned. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. LEECA is organized under Chapter 167 and 3313 of the Ohio Revised Code. The Educational Service Center serves as fiscal agent for LEECA and is one of the members mentioned above. LEECA is governed by an assembly which consists of a superintendent or designated representative from each participating member. LEECA has a Board of Directors chosen from the general membership of the LEECA Assembly which consists of a representative from the fiscal agent, chairmen of various committees, and at least one member from each participating county. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. All the consortium revenues are generated from charges for services and State funding. Financial information can be obtained by writing the Treasurer of the Educational Service Center of Lorain County, 1885 Lake Ave., Elyria, Ohio 44035.

B. LAKE ERIE REGIONAL COUNCIL (LERC)

The Lake Erie Regional Council (LERC) is a jointly governed organization comprised of fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge. LERC is governed by a board of directors which consists of a superintendent or designated representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County at 1885 Lake Avenue, Elyria, Ohio.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 7 - JOINTLY GOVERNED ORGANIZATIONS (continued)

C. STATE SUPPORT TEAM

House Bill 115 establishes the Educational Regional Service System and requires the creation of a coordinated, integrated and aligned system of state support and school district efforts to improve school effectiveness and student achievement. It is the intent of the general assembly that the educational regional service system would reduce the unnecessary duplication of programs and services and provide for a more streamlined and efficient delivery of educational services without reducing the availability of the services needed by the school districts and schools. The bill also contains information and deadlines for districts that want to transfer to another region.

The Educational Service Center serves as fiscal agent for the Region 2 State Support Team, one of sixteen Teams established by the Ohio Department of Education to provide support for the regional delivery of school improvement, literacy, special education compliance, and early learning and school readiness services to districts using the Tri-Tier Model, a differentiated technical assistance structure of support based upon need. The teams work through the office for Exceptional Children, Office of Early Learning and School Readiness and the Office of Field Relations by providing technical assistance and professional development. The Teams include staff and services formerly provided by the Special Education Regional Resource Centers and the Regional School Improvement Teams. Region 2 is comprised of Lorain, Huron, Erie and Ottawa counties.

NOTE 8 - CAPITAL ASSETS

Capital asset activity during fiscal year 2010 is as follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2010</u>
Nondepreciable capital assets				
Land	\$ 227,600	\$ -	\$ -	\$ 227,600
Depreciable capital assets				
Buildings and improvements	1,120,607	2,786	-	1,123,393
Furniture, fixtures and equipment	546,990	96,005	-	642,995
Vehicles	21,763	9,694	-	31,457
Total capital assets being depreciated	<u>1,689,360</u>	<u>108,485</u>	<u>-</u>	<u>1,797,845</u>
Less accumulated depreciation				
Buildings and improvements	(332,651)	(33,735)	-	(366,386)
Furniture, fixtures and equipment	(348,479)	(128,763)	-	(477,242)
Vehicles	(9,069)	(4,711)	-	(13,780)
Total accumulated depreciation	<u>(690,199)</u>	<u>(167,209)</u>	<u>-</u>	<u>(857,408)</u>
Depreciable capital assets, net of accumulated depreciation	<u>999,161</u>	<u>(58,724)</u>	<u>-</u>	<u>940,437</u>
Governmental activities capital assets, net	<u>\$ 1,226,761</u>	<u>\$ (58,724)</u>	<u>\$ -</u>	<u>\$ 1,168,037</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	6,700
Special		1,231
Supporting services		
Pupils		650
Instructional staff		93,026
Administration		6,863
Fiscal		177
Business		17,563
Operations and maintenance		40,999
Total depreciation expense	\$	<u>167,209</u>

NOTE 9 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Educational Service Center contracted with Netherlands Insurance Company for general liability insurance. Leased vehicles are covered by Netherlands Insurance Company and have a \$50 deductible for comprehensive and a \$250 deductible for collision and \$250 deductible for other than collision. The vehicle liability insurance is on an occurrence basis with a \$1,000,000 combined single limit. Claims have never exceeded this coverage in any of the past three years. There has been no significant reduction in coverage from the prior year. Professional liability is protected by the Netherlands Insurance Company with a \$5,000,000 annual aggregate/\$5,000,000 single occurrence limit and a \$10,000 deductible.

For fiscal year 2010, the Educational Service Center participated in the Sheakley Workers' Compensation Group rating Program. The program is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the program. Each participant pays its rate. Participation in the program is limited to members that can meet the program's selection criteria. The districts apply for participation each year. Sheakley Co. provides administrative, cost control, and actuarial services to the program. Each year the Educational Service Center pays an enrollment fee to the program to cover the costs of administration.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLAN

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For Fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78%. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contribution to SERS for the years ended June 30, 2010, 2009, and 2008 were \$ 389,292, \$ 362,305, and \$ 363,869, respectively; 100 percent has been contributed for all three fiscal years.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - The School District 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.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 10 - DEFINED BENEFIT PENSION PLAN (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$ 661,970, \$ 637,999, and \$ 571,946 respectively; 100 percent has been contributed for all three fiscal years.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 - POST EMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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 2010 was \$ 96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76%. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$21,133, \$ 19,409, and \$ 17,154, respectively; 100 percent has been contributed for all three fiscal years.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11 - POST EMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEE RETIREMENT SYSTEM (continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is 0.46%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. Statutes provide that no employers shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,791, \$107,656, and \$108,641, respectively; 100 percent has been contributed for all three fiscal years.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM

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

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 11 - POST EMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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 School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$ 50,920, \$ 49,077, and \$ 43,996, respectively; 100 percent has been contributed for all three fiscal years.

NOTE 12 - EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to 30 days of vacation per year, depending upon length of service. Accumulated unused vacation (to a maximum of 40 days) is paid to employees upon termination of employment. Not all employees earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 120 days, and one-third of accumulated sick leave beyond 120 days, to a maximum accumulation of 210 days. Maximum payment may not exceed 60 days.

B. LIFE INSURANCE

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust in an amount equal to one half times the employee's salary rounded to the nearest \$ 500.

NOTE 13 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during fiscal year 2010 are as follows:

	Balance June 30, 2009	Increase	Decrease	Balance June 30, 2010	Amounts Due In One Year
Capital lease	\$ 1,674	\$ -	\$ 1,674	\$ -	\$ -
Compensated absences	518,377	34,562	27,618	525,321	178,816
	<u>\$ 520,051</u>	<u>\$ 34,562</u>	<u>\$ 29,292</u>	<u>\$ 525,321</u>	<u>\$ 178,816</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid. Capital lease payments were paid from the General Fund.

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 14 - OPERATING LEASE

The Educational Service Center is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement is not reflected in the Educational Service Center's general long-term debt account group. During 2010, expenditures for the operating lease totaled \$ 12,072.

Year ending June 30,	Amount
2011	\$ 12,072
2012	12,072
2013	12,072
2014	10,060
	<u>\$ 46,276</u>

NOTE 15 - CONTINGENCIES

A. GRANTS

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

B. LITIGATION

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

NOTE 17 - INTERFUND ACTIVITIES

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

	Interfund Receivable	Interfund Payable
Major Fund:		
General Fund	\$ 110,174	\$ -
Non-major Funds:		
Miscellaneous State Grants	-	87,744
IDEA	-	19,500
Title I	-	900
Miscellaneous Federal Grants	-	1,700
ECSE Preschool	-	330
Total Non-major Funds	-	110,174
	<u>\$ 110,174</u>	<u>\$ 110,174</u>

SUPPLEMENTARY INFORMATION

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 7,911,160	\$ 8,870,748	\$ 8,871,311	\$ 563
Expenditures and other financing uses	8,161,362	9,662,005	9,278,149	383,856
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(250,202)	(791,257)	(406,838)	384,419
Fund balances, beginning of year	2,246,370	2,246,370	2,246,370	-
Prior year encumbrances	389,754	389,754	389,754	-
Fund balances, end of year	<u>\$ 2,385,922</u>	<u>\$ 1,844,867</u>	<u>\$ 2,229,286</u>	<u>\$ 384,419</u>

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 1 - BUDGETARY DATA

The Educational Service Center adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

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

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

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). Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

EDUCATIONAL SERVICE CENTER OF LORAIN COUNTY

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
Budget basis	\$ (406,838)
Adjustments, increase (decrease)	
Revenue accruals	(192,058)
Expenditure accruals	<u>595,351</u>
GAAP basis, as reported	<u>\$ (3,545)</u>

**LORAIN COUNTY EDUCATIONAL SERVICE CENTER
LORAIN COUNTY, OHIO**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Federal Entity Number	CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	\$128,818	\$128,558
Total Title I Grants to Local Educational Agencies			<u>128,818</u>	<u>128,558</u>
Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	56,144	55,356
Total Title I Grants to Local Educational Agencies, Recovery Act			<u>56,144</u>	<u>55,356</u>
Total Title I, Part A Cluster			<u>184,962</u>	<u>183,914</u>
Special Education Cluster:				
Special Education Grants to States	2009	84.027	195,074	37,436
Special Education Grants to States	2010	84.027	921,621	984,825
Total Special Education Grants to States			<u>1,116,695</u>	<u>1,022,261</u>
Special Education Preschool Grants	2009	84.173	12,369	10,598
Special Education Preschool Grants	2010	84.173	67,988	60,285
Total Special Education Preschool Grants			<u>80,357</u>	<u>70,883</u>
Special Education - Preschool Grants, Recovery Act	2010	84.392	62,998	63,326
Total Special Education - Preschool Grants, Recovery Act			<u>62,998</u>	<u>63,326</u>
Total Special Education Cluster			<u>1,260,050</u>	<u>1,156,470</u>
Education for Homeless Children and Youth Cluster:				
Education for Homeless Children and Youth	2009	84.196	-	350
Education for Homeless Children and Youth	2010	84.196	28,175	35,029
Total Education for Homeless Children and Youth			<u>28,175</u>	<u>35,379</u>
Education for Homeless Children and Youth, Recovery Act	2010	84.387	70,827	60,090
Total Education for Homeless Children and Youth, Recovery Act			<u>70,827</u>	<u>60,090</u>
Total Education for Homeless Children and Youth Cluster			<u>99,002</u>	<u>95,469</u>
Special Education - State Personnel Development	2010	84.323	35,257	36,918
Total Special Education - State Personnel Development			<u>35,257</u>	<u>36,918</u>
English Language Acquisition Grants	2009	84.365	12,696	9,752
Total English Language Acquisition Grants			<u>12,696</u>	<u>9,752</u>
Total U.S. Department of Education			<u>1,591,967</u>	<u>1,482,523</u>
U.S. DEPARTMENT OF HEALTH AND HUMANS SERVICES PASSED THROUGH OHIO DEPARTMENT OF JOB AND FAMILY SERVICES				
Temporary Assistance for Needy Families	2010	93.558	2,500	2,500
Total Temporary Assistance for Needy Families			<u>2,500</u>	<u>2,500</u>
Total U. S. Department of Health and Services			<u>2,500</u>	<u>2,500</u>
Total Federal Financial Assistance			<u>\$ 1,594,467</u>	<u>\$ 1,485,023</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**LORAIN COUNTY EDUCATIONAL SERVICE CENTER
LORAIN COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of receipts and expenditures of federal awards includes the federal grant activity of the Educational Service Center of Lorain County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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

Members of the Board
Lorain County Educational Service Center
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Lorain County Educational Service Center, Lorain County, (the Center) as of and for the year ended June 30, 2010 which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 4, 2010, wherein we noted the Center implemented GASB Statements No. 51, 57 and 58. 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' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

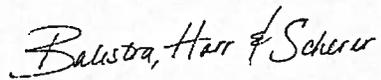
Members of the Board

Lorain County Educational Service Center

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

Page 2

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



Balestra, Harr & Scherer, CPAs, Inc.

December 4, 2010



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

Members of the Board
Lorain County Educational Service Center
Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

Compliance

We have audited the compliance of Lorain County Educational Service Center, Lorain County, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Lorain County 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 Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with those requirements.

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

Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program, 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 Center's internal control over compliance.

Board of Education

Lorain County Educational Service Center

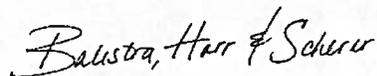
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Page 2

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



Balestra, Harr & Scherer, CPAs, Inc.
December 4, 2010

**LORAIN COUNTY EDUCATIONAL SERVICE CENTER
LORAIN COUNTY, OHIO**

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

SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies 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 section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster, CFDA #84.027, Special Education – Grants to States; CFDA #84.391, Special Education - Recovery Act
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**LORAIN COUNTY EDUCATIONAL SERVICE CENTER
LORAIN COUNTY, OHIO**

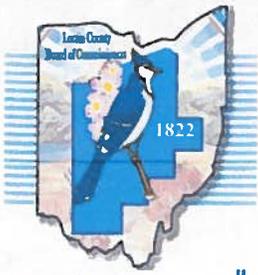
**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
JUNE 30, 2010**

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



LORAIN COUNTY

Board of Commissioners

Lori Kokoski Tom Williams Ted Kalo

County Administrator

James R. Cordes
440-329-5760

Clerk of Board of Commissioners

Theresa Upton
440-329-5103

Animal Control Officer

J. A. Szelempa Sr.
440-326-5997

Budget Director

Lisa Hobart
440-329-5201

Charles Berry Bridge Supervisor

440-244-2137

Children & Family Council

Melissa Stefano
440-284-4467

Community Development

Don Romancak
440-328-2323

E-9-1-1 Director

Robin Jones
440-329-5444

Emergency Management & Homeland Security Director

Thomas Kelley
440-329-5117

Golden Acres Administrator

Jeri Dull
440-988-7210

Human Resources Department

440-329-5150

IT Director

Ernie Smith
440-329-5786

Lorain County Transit

440-329-5525

Maintenance Director

Dennis Shawver
440-329-5326

Office of Sustainability Director

Michael Challenger
440-328-2361

Purchasing

440-329-5240

Records Center

440-326-4867

Solid Waste Director

Keith Bailey
440-329-5442

Special Projects Manager

Karen Davis
440-329-5102

Workforce Development

Mary Murphy
440-284-1830

February 3rd, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

Re: Local Government Innovation Fund Application

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Services" as one of many cost effective initiatives to maximize value for dollars spent. The purpose of this letter is to convey the Lorain County Commissioners support of and partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

There are specific reasons for our favorable support for analyzing opportunities to share transportation services in Lorain County. The first is considering the current status of public transportation under the direction of the Lorain County Transit Authority. In addition some non-profit agencies are spending hundreds of thousands of dollars on special transportation services for their clients. Finally, school districts are faced with individual special needs students being transported to programs and services often in taxi cabs or another high priced service. The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

The fact is we can no longer conduct "business as usual". We must step outside the box and create operational models that optimize available resources. As Lorain County Administrator and on behalf of the Lorain County Commissioners we support the intent of this Innovation Grant Proposal and will work closely with the Educational Service Center to ensure its completion.

Sincerely,

James R. Cordes
Lorain County Administrator

CC: Commissioners

LORAIN COUNTY JOB AND FAMILY SERVICES

MARY LOU GOLSKI, DIRECTOR

42485 NORTH RIDGE ROAD, ELYRIA, OH 44035-1057
(440) 323-5726 / 244-4150 FAX: (440) 323-3422 TDD: (440) 284-4125

February 16, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

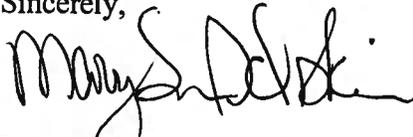
Re: Local Government Innovation Fund Application

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Servicers" as a cost effective initiative for dollars spent. Lorain County Department of Job and Family Services offers support of a partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant application.

The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings. Lorain County Job and Family Services spends hundreds of thousands of dollars for medical transportation of clients each year. Combine our costs with the school districts and non-profit community and there has to be economies of scale that we are missing.

The fact of the matter is we can no longer conduct business as usual. We must explore operational models that optimize available resources. As Director of Lorain County Job and Family Services we support the intent of this innovation Grant Proposal and will work closely with the Educational Service Center to ensure its completion.

Sincerely,



Mary Lou Golski
Director

TED KALO

COMMISSIONERS
LORI KOKOSKI

TOM WILLIAMS



NORTHEAST OHIO AREAWIDE COORDINATING AGENCY
 Planning For Greater Cleveland
 Serving Cuyahoga, Geauga, Lake, Lorain & Medina Counties

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- Earl M. Leiken, Mayor
City of Shaker Heights
- James M. Lukas, City Manager/Safety Director
City of Brunswick
- Mamie J. Mitchell, Councilwoman
City of Cleveland
- Myron S. Pakush, Deputy Director
Ohio DOT-District 12
- Michael S. Procuik, Mayor
Village of Brooklyn Heights
- Dale F. Rundlo, Trustee
Lorain County Township Association
- Kathleen Scheutzow, Trustee
Brunswick Hills Township
- Raymond E. Sines, President
Lake County Board of Commissioners
- Leonard A. Spremulli, Mayor
Bentleyville Village
- Robert A. Stefanik, Mayor
City of North Royalton
- Michael P. Summers, Mayor
City of Lakewood
- Deborah L. Sutherland, Mayor
City of Bay Village
- Bonita G. Teeuwen, P.E., Public Works Director
Cuyahoga County
- Daniel P. Troy, Commissioner
Lake County Board of Commissioners
- Mark A. Tyler, Mayor
City of Kirtland
- Jornarie Wasik, Director of Capital Projects
City of Cleveland
- William S. Young, Commissioner
Geauga County Board of Commissioners

Ex officio Member:
 Kurt Prinic, District Chief
 Northeast District Office
 Ohio Environmental Protection Agency

Executive Committee Members

Howard R. Maier, FAICP
 Executive Director

February 23rd, 2012

Ms. Christiane Schmenk, Director
 Ohio Department of Development
 77 South High Street
 P.O. Box 1001
 Columbus, Ohio 43216-1001

Re: Local Government Innovation Fund Application

Dear Ms. Schmenk:

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Servicers" as one of many cost effective initiatives to maximize value for dollars spent. Lorain County has experienced significant cuts to its public transit system in recent years, severely limiting access to jobs, services, and daily activities for large segments of the county's population. As Executive Director for the Northeast Ohio Areawide Coordinating Agency (NOACA), the metropolitan planning organization for the region, I support the Educational Service Center of Lorain County's proposed Local Government Innovation Grant to study shared transportation in Lorain County.

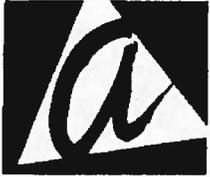
Such a study will be analyzing opportunities for shared transportation services between government, non-profit, and educational entities in Lorain County. Coordination of scarce resources begins with eliminating the duplication of services that can occur when agencies are unaware of each others' services or cannot move past hurdles such as insurance or funding requirements. The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

I support the intent of this Innovation Grant Proposal to improve the transportation options available to residents of Lorain County.

Sincerely,

Howard R. Maier, FAICP
 Executive Director

HRM/bb/3049p



Alcohol and
Drug
Addiction
Services Board

OF LORAIN COUNTY

4950 Oberlin Avenue • Lorain, Ohio 44053
(440) 282-9920 • Fax (440) 282-9928

www.lorainadas.org

February 7, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

Re: Local Government Innovation Fund Application

Dear Ms. Schmenk,

On behalf of the Alcohol and Drug Addiction Services Board of Lorain County I am providing this letter to acknowledge our Board's support of and partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

There are specific reasons for our favorable support for analyzing opportunities to share transportation services in Lorain County. Our substance abuse treatment and prevention agencies experience similar issues due to the lack of comprehensive county-wide transportation services. As such, agencies including our funded programs continue to expend dollars on special transportation services for their clients. The Innovation Grant would provide funds to support a comprehensive analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

This Innovation Grant is an opportunity to help us create operational models that optimize available resources. As we progress through this initiative, we will work closely with the Educational Service Center to ensure its completion.

Sincerely

Elaine Georgas,
Executive Director

February 7, 2012

**Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001**

Re: Local Government Innovation Fund Application



Mental Health



A United Way Agency

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Servicers" as one of many cost effective initiatives to maximize value for dollars spent. The Lucy Idol Center for the Handicapped, Inc. a 501(c)(3) non-profit organization supports and looks forward to a working partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant to analyze opportunities to share transportation services in Lorain County.

The first is considering the current status of public transportation under the direction of the Lorain County Transit Authority. In addition some non-profit agencies are spending hundreds of thousands of dollars on special transportation services for their clients. Finally, school districts are faced with individual special needs students being transported to programs and services often in taxi cabs or another high priced service.

The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

The fact is we can no longer conduct "business as usual". We must step outside the box and create operational models that optimize available resources. As Executive Director of Lucy Idol Center for the Handicapped, Inc and on behalf of the Educational Service Center we support the intent of this Innovation Grant Proposal and will work closely work closely with the Educational Service Center to ensure its completion.

Sincerely,

A handwritten signature in blue ink that reads "John Tad Peck".

**John Tad Peck
Executive Director**



Murray Ridge Center

Lorain County Board of Developmental Disabilities

1091 Infirmary Road, Elyria, OH 44035-4805

February 23rd, 2012

Superintendent

Amber L. Fisher, Dr. P.H.

Administrative Offices

Ph: 440.329.3734

Fax: 440.322.2683

Community Employment

Ph: 440.324.4993

Fax: 440.326.0251

Murray Ridge School

Ph: 440.329.3760

Fax: 440.322.5849

S.S.A.

Service and Support

Administration

Ph: 440.324.2366

Fax: 440.322.0588

Work Activity Centers

M.R.P.C. Inc.

Elyria Branch

Ph: 440.284.2720

Fax: 440.322.7659

Lorain Branch

Ph: 440.282.2131

Fax: 440.282.9161

Oberlin Branch

Ph: 440.774.7400

Fax: 440.774.5804

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

Re: Support for Local Government Innovation Fund Application by the Educational Service Center of Lorain County

The purpose of this letter is to convey the support of the Lorain County Board of Developmental Disabilities (LCBDD) for the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

LCBDD provides vocational and habilitative services to more than 900 adults with disabilities in Lorain County. Many of these individuals are unable to drive, and the Lorain County Transit Authority only operates 4 fixed routes on weekdays, and none on weekends. Times and locations of the current routes do not allow any of our consumers to utilize this mode of transportation. Given the limited resources of many of our consumers, more costly forms of transportation, such as taxi cabs, are cost prohibitive. When natural supports cannot be utilized, LCBDD provides transportation services as available.

The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among these local entities and result in substantial transportation cost savings.

Transportation services are a large portion of the LCBDD budget. Given the diminishing stream of state and federal funding, we fully support the Educational Service Center of Lorain County in its attempt to identify potential savings by analyzing the prospects for shared transportation services within Lorain County. The more efficient our transportation services can be, the more options we will have for the consumers we serve to access community-based jobs and supports. On behalf of the Lorain County Board of Developmental Disabilities, we support the intent of this Innovation Grant Proposal and will work closely with the Educational Service Center to ensure its completion.

Sincerely,

Jeffrey W. Miller
Director of Vocational/Transportation Services

Amber L. Fisher, Dr.P.H
Superintendent



FIRELANDS LOCAL SCHOOL DISTRICT

112 North Lake St. South Amherst, Ohio 44001
Fax: 440 986-5990

Gregory D. Ring
Superintendent
(440) 965-5821

Brad McCracken
Treasurer
(440) 965-5701

February 8, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

Re: Local Government Innovation Fund Application

The Firelands Schools has been facing overwhelming budget deficits as have so many political entities across the state. Political leaders in Ohio have identified "Shared Servicers" as one of many cost effective initiatives to maximize value for dollars spent. The purpose of this letter is to convey the Firelands Local Schools explicit support of and partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

There are specific reasons for our favorable support for analyzing opportunities to share transportation services in Lorain County. The first is considering the current status of public transportation under the direction of the Lorain County Transit Authority. In addition some non-profit agencies are spending hundreds of thousands of dollars on special transportation services for their clients. Finally, school districts are faced with individual special needs students being transported to programs and services often in taxi cabs or another high priced service. The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

The fact is we can no longer conduct "business as usual". We must step outside the box and create operational models that optimize available resources. As superintendent and on behalf of the Firelands Local Schools we support the intent of this Innovation Grant Proposal and will work closely with the Educational Service Center to ensure its completion.

Sincerely

Gregory D. Ring,
Supt.

KEYSTONE LOCAL SCHOOLS
301 Liberty Street
LaGrange, OH 44050

February 7th, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

Re: Local Government Innovation Fund Application

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Servicers" as one of many cost effective initiatives to maximize value for dollars spent. The purpose of this letter is to convey the Keystone Local Schools explicit support of and partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

There are specific reasons for our favorable support for analyzing opportunities to share transportation services in Lorain County. The first is considering the current status of public transportation under the direction of the Lorain County Transit Authority. In addition some non-profit agencies are spending hundreds of thousands of dollars on special transportation services for their clients. Finally, school districts are faced with individual special needs students being transported to programs and services often in taxi cabs or another high priced service. After experiencing problems with our contractor last year we made the decision to transport all our students with this need, and it was a substantial cost to the district. The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

The fact is we can no longer conduct "business as usual". We must step outside the box and create operational models that optimize available resources. As Superintendent and on behalf of the Keystone Local Schools we support the intent of this Innovation Grant Proposal and will work closely with the Educational Service Center to ensure its completion.

Respectfully,

Jay G. Arbaugh
Keystone Local Schools
Jay.Arbaugh@keystone.k12.oh.us
440-355-5131



AVON BOARD OF EDUCATION

35573 Detroit Road
Avon, Ohio 44011

www.avonlocalschools.org

February 13, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

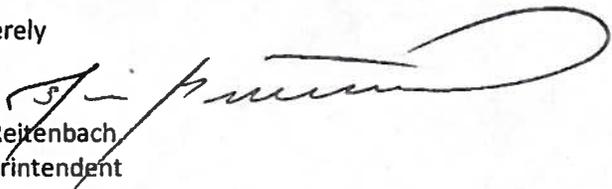
Re: Local Government Innovation Fund Application

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Servicers" as one of many cost effective initiatives to maximize value for dollars spent. The purpose of this letter is to convey the Avon Local School's explicit support of and partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

There are specific reasons for our favorable support for analyzing opportunities to share transportation services in Lorain County. The first is considering the current status of public transportation under the direction of the Lorain County Transit Authority. In addition some non-profit agencies are spending hundreds of thousands of dollars on special transportation services for their clients. Finally, school districts are faced with individual special needs students being transported to programs and services often in taxi cabs or another high priced service. The Innovation Grant would provide funds to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings.

The fact is we can no longer conduct "business as usual". We must step outside the box and create operational models that optimize available resources. As Superintendent, and on behalf of the Avon Local School District, we support the intent of this Innovation Grant Proposal and will work closely with the Educational Service Center to ensure its completion.

Sincerely


Jim Reitenbach
Superintendent

JIM REITENBACH
Superintendent
(440) 937-4680

KENT R. ZEMAN, CPA
Treasurer
(440) 937-4684

FAX NUMBER
(440) 937-4688



February 27, 2012

Christiane Schmenk, Director
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001

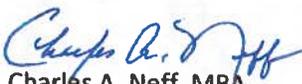
Re: Local Government Innovation Fund Application

Facing overwhelming budget deficits, political leaders in Ohio have identified "Shared Services" as one of many cost effective initiatives to maximize value for dollars spent. The purpose of this letter is to convey the Lorain County Board of Mental Health's explicit support of and partnership with the Educational Service Center of Lorain County's proposed Local Government Innovation Grant.

There are specific reasons for our favorable support for analyzing opportunities to share transportation services in Lorain County. The first is the current status of public transportation under the direction of the Lorain County Transit Authority. In addition, it is a constant struggle for the clients of the mental health system, many of whom cannot drive due to their disabilities, to get to their treatment sessions. Some of our agencies provide limited transportation to their clients but I am convinced it is not the most efficient system possible. Some non-profit agencies are spending hundreds of thousands of dollars on special transportation services for their clients. Finally, school districts are faced with individual special needs students being transported to programs and services, often via taxi cabs or another high priced service. The Innovation Grant would provide the funds necessary to support a complete analysis of public, non-profit and school district transportation needs. Most importantly, the grant would support identification of opportunities to share transportation costs among all three entities and result in substantial transportation cost savings across the board.

The budget cuts to the public mental health system over the last three years have driven home the fact that we can no longer conduct "business as usual." We must step outside the box and create operational models that optimize available resources. As the Executive Director of the Lorain County Board of Mental Health I enthusiastically support the intent of this Innovation Grant Proposal and pledge to work closely with the Educational Service Center to ensure its completion.

Sincerely,


Charles A. Neff, MBA
Executive Director



April 2, 2012

Dr. Rockwell
Educational Service Center of Lorain County
1885 Lake Avenue
Elyria, Ohio 44035

RE: Application Cure Letter

Dear Dr. Rockwell:

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: Educational Service Center of Lorain County
Project Name: Pooled Transportation Services
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
<hr/>	<hr/>
Total	\$111,111

Uses of Funds

Consultant Fees for Study	\$111,111
<hr/>	<hr/>
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. 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.

4. Population Information and Documentation

Please provide documentation supporting population information provided using the 2010 U.S. Census. To access census information, you may visit the following website <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>.

5. Resolutions of Support

Resolutions of support must be provided by the governing body of the main applicant and each collaborative partner. If the collaborative partner is a private entity with no governing body, a letter of support **for the project** is required.