MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2009

MATTHEW KETCHAM, TREASURER

Mary Taylor, CPA
Auditor of State

Governing Board
Madison-Champaign Educational Service Center
1512 S. US Hwy 68, Suite J
Urbana, Ohio 43078

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 9, 2010

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MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

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Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Governing Board
Madison-Champaign Educational Service Center
1512 S. US Hwy 68, Suite J100
Urbana, Ohio 43078

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of the Madison-Champaign Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 - 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

For the budgetary supplementary information on pages 39 - 41, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 18, 2009

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

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

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased $244,959 which represents a 151.19% decrease from 2008.

- General revenues accounted for $1,627,376 in revenue or 15.77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $8,690,881 or 84.23% of total revenues of $10,318,257.

- The Center had $10,563,216 in expenses related to governmental activities; $8,690,881 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $1,627,376 were not adequate to provide for these programs.

- The Center's only major governmental fund is the general fund. The general fund had $9,579,807 in revenues and other financing sources and $9,631,005 in expenditures. During fiscal year 2009, the general fund's fund balance decreased $51,198 from $346,931 to $295,733.

Using these Basic Financial Statements

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

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

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

The Center's statement of net assets and statement of activities can be found on pages 12-13 of this report.

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

The Center acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the Center's fiduciary activities are reported in a separate statement of fiduciary net assets on page 18. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-40 of this report.

The Center as a Whole

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

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

Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Assets		
Current and other assets	$ 1,595,777	$ 1,637,186
Capital assets, net	304,054	236,033
Total assets	1,899,831	1,873,219
Liabilities		
Current liabilities	1,317,325	1,204,501
Long-term liabilities	665,443	506,696
Total liabilities	1,982,768	1,711,197
Net Assets		
Invested in capital assets, net of related debt	143,191	162,361
Restricted	68,524	69,822
Unrestricted (deficit)	(294,652)	(70,161)
Total net assets (deficit)	$ (82,937)	$ 162,022

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Center's liabilities exceeded assets by $82,937.

At year-end, capital assets represented 16.00% of total assets. Capital assets include furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were $143,191. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

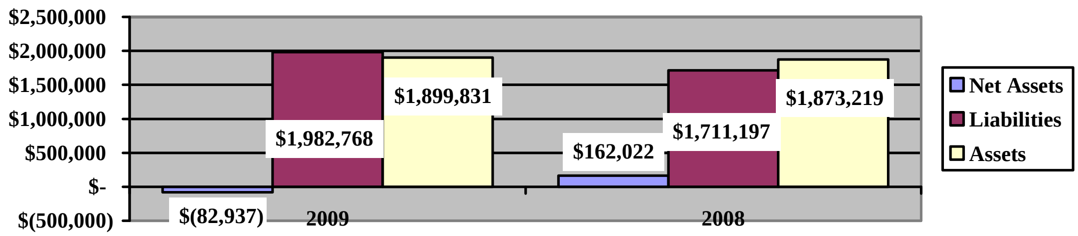
A portion of the Center's net assets, $68,524, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of unrestricted net assets.

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

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

Governmental Activities



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

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	$ 7,994,494	$ 7,471,344
Operating grants and contributions	696,387	569,499
General revenues:		
Grants and entitlements	1,397,766	1,279,401
Investment earnings	44,270	43,236
Other	185,340	143,564
Total revenues	10,318,257	9,507,044

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Expenses		
Program expenses:		
Instruction:		
Regular	$ 418,534	$ 315,550
Special	2,732,166	2,568,182
Adult	24,399	24,058
Support services:		
Pupil	2,558,977	2,374,590
Instructional staff	2,526,965	2,403,298
Board of education	10,509	29,239
Administration	1,439,370	1,189,762
Fiscal	348,976	364,194
Business	6,091	9,330
Operations and maintenance	25,173	23,819
Pupil transportation	229,910	218,217
Central	168,797	6,301
Operation of non-instructional services:		
Food service operations	67,943	66,668
Other non-instructional services	100	-
Extracurricular	198	199
Interest and fiscal charges	5,108	6,775
Total expenses	10,563,216	9,600,182
Change in net assets	(244,959)	(93,138)
Net assets at beginning of year	162,022	255,160
Net assets (deficit) at end of year	$ (82,937)	$ 162,022

Governmental Activities

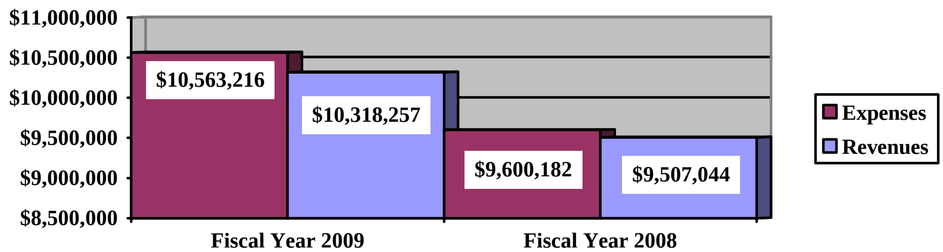
Net assets of the Center's governmental activities decreased $244,959. Total governmental expenses of $10,563,216 were offset by program revenues of $8,690,881, and general revenues of $1,627,376. Program revenues supported 82.27% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services and sales. These revenue sources represent 77.48% of total governmental revenue.

The largest expense of the Center is for support services. Support services expenses totaled $7,314,768 or 69.25% of total governmental expenses for fiscal year 2009.

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

Governmental Activities - Revenues and Expenses



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

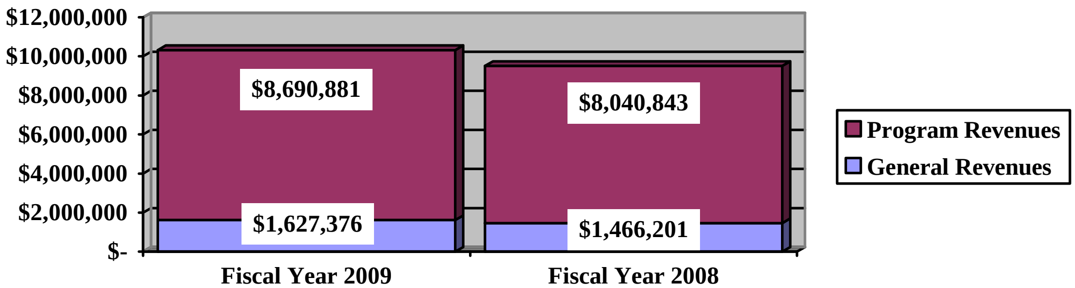
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	$ 418,534	$ (99,335)	$ 315,550	$ 19,423
Special	2,732,166	468,346	2,568,182	329,229
Adult	24,399	6,956	24,058	8,649
Support services:				
Pupil	2,558,977	359,506	2,374,590	296,340
Instructional staff	2,526,965	416,143	2,403,298	315,074
Board of education	10,509	(14,843)	29,239	29,239
Administration	1,439,370	259,370	1,189,762	178,857
Fiscal	348,976	338,688	364,194	336,480
Business	6,091	6,091	9,330	9,330
Operations and maintenance	25,173	25,173	23,819	23,819
Pupil transportation	229,910	15,649	218,217	3,315
Central	168,797	87,817	6,301	6,301
Operation of non-instructional services:				
Food service operations	67,943	(2,632)	66,668	(3,691)
Other non-instructional services	100	100	-	-
Extracurricular	198	198	199	199
Interest and fiscal charges	5,108	5,108	6,775	6,775
Total expenses	$ 10,563,216	$ 1,872,335	$ 9,600,182	$ 1,559,339

For all governmental activities, program revenue support is 82.27%. The primary support of the Center is contracted fees for services provided to other school districts.

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

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of $263,537 which is less than last year's total of $418,667. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance (deficit) June 30, 2009	Fund Balance June 30, 2008	(Decrease)	Percentage Change
General	$ 295,733	$ 346,931	$ (51,198)	(14.76) %
Other governmental	(32,196)	71,736	(103,932)	(144.88) %
Total	$ 263,537	$ 418,667	$ (155,130)	(37.05) %

An analysis of the general fund revenues and expenditures is provided in the section below. The decrease in the general fund balance is primarily due to increasing expenditures outpacing increasing revenues.

General Fund

The Center's general fund balance decreased $51,198.

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2009 Amount	2008 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Tuition	$ 7,842,067	$ 7,193,221	$ 648,846	9.02 %
Earnings on investments	45,308	42,828	2,480	5.79 %
Intergovernmental	1,397,766	1,279,401	118,365	9.25 %
Other revenues	185,714	144,050	41,664	28.92 %
Total	$ 9,470,855	$ 8,659,500	$ 811,355	9.37 %
Expenditures				
Instruction	$ 2,859,150	$ 2,579,834	$ 279,316	10.83 %
Support services	6,636,450	6,115,958	520,492	8.51 %
Non-instructional services	100	-	100	100.00 %
Extracurricular activities	198	199	(1)	(0.50) %
Capital outlay	108,952	-	108,952	100.00 %
Debt service	26,155	26,155	-	- %
Total	$ 9,631,005	$ 8,722,146	$ 908,859	10.42 %

Tuition increased primarily due to increases in billable services and contracts paid by locals. Other revenue increased during fiscal year 2009 due to increases in miscellaneous program revenues and TCI training revenue. The increase in instructional expenditures is due primarily to an increase in regular instruction during 2009. The increase in capital outlay is due to the Center entering into a new capital lease agreement during the year. All other revenues and expenditures remained similar to fiscal year 2008.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Center had $304,054 invested in furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Furniture and equipment	$ 271,993	$ 209,022
Vehicles	32,061	27,011
Total	$ 304,054	$ 236,033

The overall increase in capital assets of $68,021 is due capital outlays of $139,869 exceeding depreciation expense of $71,848 in the fiscal year.

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

Debt Administration

At June 30, 2009, the Center had $160,863 in capital lease obligations outstanding. Of this total, $38,072 is due within one year and $122,791 is due in more than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2009	Governmental Activities 2008
Capital lease obligations	$ 160,863	$ 73,672
Total	$ 160,863	$ 73,672

See Notes 8 and 9 to the basic financial statements for additional information on the Center's capital leases and debt administration.

Current Financial Related Activities

The Center is financially solvent. As the preceding information shows, the Center relies heavily on contracts with local, city, and JVS school districts in Madison and Champaign Counties, as well as State foundation revenue and grants. The need for additional services from local and city school districts, along with the Center's cash balance, will provide the Center with the necessary funds to meet its operating expenses in fiscal year 2010.

Contacting the Center's Financial Management

This financial report is designed to provide our member districts and other interested parties with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Matthew Ketcham, Treasurer, Madison-Champaign Educational Service Center, 1512 S. U.S. Highway 68, Urbana, Ohio 43088.

BASIC
FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2009

		Governmental Activities
Assets:		
Equity in pooled cash and investments	$	1,484,722
Receivables:		
Intergovernmental		98,244
Accrued interest		860
Loans		11,951
Capital assets:		
Depreciable capital assets, net		304,054
Capital assets, net.		304,054
Total assets.		1,899,831
Liabilities:		
Accounts payable.		8,706
Accrued wages and benefits		1,066,491
Pension obligation payable.		167,825
Intergovernmental payable.		74,303
Long-term liabilities:		
Due within one year.		95,001
Due in more than one year		570,442
Total liabilities		1,982,768
Net assets:		
Invested in capital assets, net of related debt.		143,191
Restricted for:		
State funded programs.		1,540
Federally funded programs		9,359
Public school support		582
Other purposes		57,043
Unrestricted (deficit)		(294,652)
Total net assets (deficit)	$	(82,937)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 418,534	$ 339,923	$ 177,946	$ 99,335
Special	2,732,166	2,211,306	52,514	(468,346)
Adult	24,399	-	17,443	(6,956)
Support services:				
Pupil	2,558,977	2,180,934	18,537	(359,506)
Instructional staff	2,526,965	2,050,083	60,739	(416,143)
Board of education	10,509	-	25,352	14,843
Administration	1,439,370	1,167,736	12,264	(259,370)
Fiscal	348,976	10,288	-	(338,688)
Business	6,091	-	-	(6,091)
Operations and maintenance	25,173	-	-	(25,173)
Pupil transportation	229,910	-	214,261	(15,649)
Central	168,797	-	80,980	(87,817)
Operation of non-instructional services:				
Food service operations	67,943	34,224	36,351	2,632
Other non-instructional services	100	-	-	(100)
Extracurricular activities	198	-	-	(198)
Interest and fiscal charges	5,108	-	-	(5,108)
Total governmental activities	$ 10,563,216	$ 7,994,494	$ 696,387	(1,872,335)
General revenues:				
Grants and entitlements not restricted to specific programs				1,397,766
Investment earnings				44,270
Miscellaneous				185,340
Total general revenues				1,627,376
Change in net assets				(244,959)
Net assets at beginning of year				162,022
Net assets (deficit) at end of year				$ (82,937)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash			
and investments	$ 1,388,644	$ 96,078	$ 1,484,722
Receivables:			
Intergovernmental	86,045	12,199	98,244
Interfund receivable	89,008	-	89,008
Accrued interest	860	-	860
Loans	11,951	-	11,951
Total assets	$ 1,576,508	$ 108,277	$ 1,684,785
Liabilities:			
Accounts payable	$ 7,009	$ 1,697	$ 8,706
Accrued wages and benefits	1,037,620	28,871	1,066,491
Compensated absences payable	9,755	-	9,755
Interfund payable	-	89,008	89,008
Pension obligation payable	158,841	8,984	167,825
Intergovernmental payable	67,176	7,127	74,303
Deferred revenue	374	4,786	5,160
Total liabilities	1,280,775	140,473	1,421,248
Fund balances:			
Reserved for encumbrances	23,451	4,934	28,385
Unreserved, undesignated (deficit), reported in:			
General fund	272,282	-	272,282
Special revenue funds	-	(37,130)	(37,130)
Total fund balances (deficit)	295,733	(32,196)	263,537
Total liabilities and fund balances	$ 1,576,508	$ 108,277	$ 1,684,785

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

Total governmental fund balances		$ 263,537
Amounts reported for governmental activities on the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		304,054
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental revenue	$ 4,786	
Accrued interest	374	
Total		5,160
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	494,825	
Capital lease obligation	160,863	
Total		(655,688)
Net assets (deficit) of governmental activities		$ (82,937)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Tuition	$ 7,842,067	$ 115,168	$ 7,957,235
Transportation fees	-	81,725	81,725
Earnings on investments	45,308	-	45,308
Charges for services	-	34,224	34,224
Extracurricular	-	1,304	1,304
Classroom materials and fees	-	1,357	1,357
Other local revenues	185,714	38,032	223,746
Intergovernmental - Intermediate	26,850	12,628	39,478
Intergovernmental - State	1,281,021	357,279	1,638,300
Intergovernmental - Federal	89,895	201,937	291,832
Total revenues	9,470,855	843,654	10,314,509
Expenditures:			
Current:			
Instruction:			
Regular	202,548	211,066	413,614
Special	2,656,602	55,746	2,712,348
Adult	-	24,313	24,313
Support services:			
Pupil	2,416,210	131,495	2,547,705
Instructional staff	2,422,430	70,601	2,493,031
Board of education	10,227	-	10,227
Administration	1,368,588	28,625	1,397,213
Fiscal	320,681	25,751	346,432
Business	6,091	-	6,091
Operations and maintenance	24,284	-	24,284
Pupil transportation	7,105	221,689	228,794
Central	60,834	109,643	170,477
Operation of non-instructional services:			
Food service operations	-	67,943	67,943
Other non-instructional services	100	-	100
Extracurricular activities	198	-	198
Capital outlay	108,952	-	108,952
Debt service:			
Principal retirement	21,182	579	21,761
Interest and fiscal charges	4,973	135	5,108
Total expenditures	9,631,005	947,586	10,578,591
Excess of expenditures over revenues	(160,150)	(103,932)	(264,082)
Other financing sources:			
Capital lease transaction	108,952	-	108,952
Total other financing sources	108,952	-	108,952
Net change in fund balances	(51,198)	(103,932)	(155,130)
Fund balances at beginning of year	346,931	71,736	418,667
Fund balances (deficit) at end of year	$ 295,733	$ (32,196)	$ 263,537

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

Net change in fund balances - total governmental funds			$	(155,130)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.				
Capital asset additions	$	139,869		
Current year depreciation		(71,848)		
Total				68,021
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Accrued interest		(1,038)		
Intergovernmental revenue		4,786		
Total				3,748
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.				21,761
Proceeds of capital lease transactions are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.				(108,952)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				(74,407)
Change in net assets of governmental activities			$	(244,959)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

		Agency
Assets:		
Due from other governments.	$	13,322
Total assets	$	13,322
Liabilities:		
Loans.	$	11,951
Intergovernmental payable		1,371
Total liabilities	$	13,322

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Madison-Champaign Educational Service Center (the "Center") is located in Urbana, Ohio, the Champaign County seat. The Center is an Educational Service Center as defined by Section 3311.03 of the Ohio Revised Code. The Center operates under a Board of five elected members. The Center supplies supervisory, special education, administrative and other services to the Graham, Jefferson, Jonathan Alder, Madison Plains, West Liberty-Salem, Triad and London Local school districts and Urbana City School District and Mechanicsburg Exempted Village School District. The Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently. The Center is staffed by 148 non-certified employees and 143 certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization
The Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of educational entities within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby counties. WOCO 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. This organization is governed by a board of directors consisting of 14 members; the superintendent of the fiscal agent Shelby County Educational Service Center, two superintendents from each county that is represented, one treasurer representative from the school districts, student services representative from the school districts, and a non-voting independent district representative. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 East Court Street, Sidney Ohio 45365.

Metropolitan Educational Council
The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, of other assessments as established by MEC. The governing board of MEC consists of one voting representative from each member district. To obtain financial information, write to the Metropolitan Educational Council, Elmo Kallner, who serves as Executive Director, 2100 Citygate Drive, Columbus, Ohio 43219.

PUBLIC ENTITY PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan - The Educational Service District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool. The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrolment fee to the Plan to cover the costs of administering the program.

Champaign, Delaware, Marion, Union Schools Insurance Consortium (CDMU)
CDMU sponsors self-insured medical plans for nine school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion and Union Counties. These plans are for active employees and their covered dependents. Amongst the nine districts and service centers, there were three plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with Core Source for all administrative, claims processing, claims payment, and customer service at Core Source's Dublin, Ohio facility.

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The Center has no trust funds. The Center's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency fund accounts for monies due to other governments.

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

E. Budgetary Process

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

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

F. Cash and Investments

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center’s records. Each fund’s interest in the pool is presented as “equity in pooled cash and investments” on the basic financial statements.

During fiscal year 2009, investments were limited to negotiable certificates of deposit (CD’s) and the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The Center has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

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

Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board. Interest revenue credited to the general fund during fiscal year 2009 amounted to $45,308, which includes $2,822 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The Center does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Furniture and equipment	7 - 20 years
Vehicles	10 years

H. Interfund Balances

On 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 on the statement of net assets.

Receivables and payables resulting from loans from governmental funds to the agency fund are classified as "loans receivable/payable".

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

I. Flow-Through Grants

The Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and instructional expenditures on the financial statements.

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements. At June 30, 2009, the Center had no prepayments.

O. Estimates

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

P. Interfund Activity

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

Nonmajor funds	Deficit
Uniform school supplies	$ 177
Other grants	230
School bus driver training	8,223
Management information systems	40
Public school preschool	30,679
Entry year teacher	50
Data communication fund	107
Alternative schools	18,571
EHA preschool grant	2,001
Miscellaneous federal grants	40,642

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the Center had $600 in undeposited cash on hand which is included on the financial statements of the Center as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all the Center deposits was $952,835. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, $655,715 of the Center's bank balance of $971,377 was exposed to custodial risk as discussed below, while $315,662 was covered by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

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

			Investment Maturities			
Investment type	Fair Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Negotiable cd's	$ 523,418	$ 105,283	$ -	$ -	$ 203,498	$ 214,637
STAR Ohio	7,869	7,869	-	-	-	-
Total	$ 531,287	$ 113,152	$ -	$ -	$ 203,498	$ 214,637

The weighted average maturity of investments is 2.08 years.

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

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

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

Investment type	Fair Value	% of Total
Negotiable cd's	$ 523,418	98.52
STAR Ohio	7,869	1.48
Total	$ 531,287	100.00

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Cash and investments per note	
Carrying amount of deposits	$ 952,835
Investments	531,287
Cash on hand	600
Total	$ 1,484,722
Cash and investments per statement of net assets	
Governmental activities	$ 1,484,722

NOTE 5 - INTERFUND TRANSACTIONS

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

Loan from	Loan to	Amount
General	Agency	$ 11,951

The primary purpose of the loan is to cover costs in the agency fund where revenues were not received by June 30. The loan will be repaid once the anticipated revenues are received.

B. Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statements:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	$ 89,008

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - RECEIVABLES

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

Governmental activities:	
Accrued interest	$ 860
Intergovernmental	98,244
Loans	11,951
Total	$ 111,055

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

NOTE 7 - CAPITAL ASSETS

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

	Balance 06/30/08	Additions	Deductions	Balance 06/30/09
Governmental activities				
Capital assets, being depreciated:				
Furniture and equipment	$ 557,911	$ 130,869	$ -	$ 688,780
Vehicles	52,992	9,000	-	61,992
Total capital assets, being depreciated	610,903	139,869	-	750,772
Less: accumulated depreciation				
Furniture and equipment	(348,889)	(67,898)	-	(416,787)
Vehicles	(25,981)	(3,950)	-	(29,931)
Total accumulated depreciation	(374,870)	(71,848)	-	(446,718)
Governmental activities capital assets, net	$ 236,033	$ 68,021	$ -	$ 304,054

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 2,625
Special	16,818
Adult	86
Support services:	
Pupil	4,222
Instructional staff	2,524
Board of education	282
Administration	41,631
Fiscal	981
Operations and maintenance	889
Pupil transportation	1,661
Central	129
Total depreciation expense	$ 71,848

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

The Center has entered into capital lease agreements for copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures on the fund financial statements. These expenditures are reported as function expenditures on the budgetary statement.

General capital assets acquired by lease have been capitalized in the amount of $279,229, which is equal to the present value of the future minimum payments as of the date of their inception. Accumulated depreciation as of June 30, 2009 was $74,670 leaving a current book value of $204,559. A corresponding liability was recorded and is presented as a component of long-term liabilities on the statement of net assets. Principal payments in fiscal year 2009 totaled $21,182 paid by the general fund and $579 paid by the school bus driver training fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2009:

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE - (Continued)

Fiscal Year Ending June 30,	Equipment
2010	$ 49,432
2011	49,430
2012	39,309
2013	26,844
2014	24,607
Total future minimum lease payments	189,622
Less: Amount representing interest	(28,759)
Present value of future minimum lease payment	$ 160,863

NOTE 9 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding 06/30/08	Additions	Reductions	Balance Outstanding 06/30/09	Amounts Due in One Year
Governmental activities:					
Compensated absences	$ 433,024	$ 115,742	$ (44,186)	$ 504,580	$ 56,929
Capital lease	73,672	108,952	(21,761)	160,863	38,072
Total long-term obligations, governmental activities	$ 506,696	$ 224,694	$ (65,947)	$ 665,443	$ 95,001

Compensated absences will be paid from the fund from which the employee is paid, which for the Center, is primarily the general fund. See Note 8 for detail on the capital lease obligation.

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. All twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation time does not carry beyond the contract year in which it is earned. Accumulated unused vacation time is paid to twelve month employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days. Upon retirement, employees with five to ten years of service are paid for one-fifth of accrued, but unused sick leave credit to a maximum of forty days, and employees with over ten years of service are paid for one-fourth of accrued, but unused sick leave credit to a maximum of fifty days.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Center contracted for the following insurance coverages:

Coverages provided by Harcum Administrative Services, LLC are as follows:

Automobile liability	$1,000,000
General liability	
Per occurrence	1,000,000
Aggregate	3,000,000

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

B. Health Care Benefits

The Center provides health insurance, prescription drug benefits, and dental insurance through CoreSource. Vision insurance is provided through Vision Service Plan and life insurance through Fort Dearborn Life. Insurance premiums vary with each employee depending on marital and family status.

C. Workers' Compensation

The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $197,014, $188,169 and $180,743, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

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

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

NOTE 12 - PENSION PLANS - (Continued)

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $613,849, $548,584 and $520,483, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $18,090 made by the Center and $45,622 made by the plan members.

C. Social Security System

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were $131,074, $113,647 and $85,004, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were $16,255, $13,558 and $12,290, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $47,219, $42,199 and $40,037, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - STATE FUNDING

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

Part (B) of the budget is funded in the following way: $6.50 times the Average Daily Membership (ADM-the total number of pupils under the Center's supervision) is apportioned by the State Board of Education from the participating school districts to which the Center provides services from payments made under the State's foundation program. Simultaneously, $37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the Center.

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of $43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating Boards approve or disapprove the apportionment.

SUPPLEMENTARY INFORMATION

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Tuition	$ 7,719,987	$ 8,115,055	$ 8,000,557	$ (114,498)
Earnings on investments	52,322	55,000	29,448	(25,552)
Other local revenues	131,580	138,291	185,566	47,275
Intergovernmental - Intermediate	32,277	33,929	26,850	(7,079)
Intergovernmental - State	1,222,226	1,284,772	1,281,021	(3,751)
Intergovernmental - Federal	85,519	89,895	89,895	-
Total revenues	9,243,911	9,716,942	9,613,337	(103,605)
Expenditures:				
Current:				
Instruction:				
Regular	171,326	174,456	191,778	(17,322)
Special	2,648,449	2,696,822	2,634,193	62,629
Support services:				
Pupil	2,338,824	2,381,542	2,374,635	6,907
Instructional staff	2,424,440	2,468,721	2,425,575	43,146
Board of education	37,137	37,815	32,184	5,631
Administration	1,359,430	1,384,259	1,370,021	14,238
Fiscal	336,782	342,933	321,088	21,845
Business	5,001	5,092	5,892	(800)
Operations and maintenance	26,909	27,400	24,284	3,116
Pupil transportation	7,641	7,781	7,136	645
Central	67,098	68,324	60,652	7,672
Operation of non-instructional services	98	100	100	-
Extracurricular activities	200	200	198	2
Total expenditures	9,423,335	9,595,445	9,447,736	147,709
Excess (deficiency) of revenues over (under) expenditures	(179,424)	121,497	165,601	44,104
Other financing uses:				
Advances (out)	(99,148)	(100,959)	(100,959)	-
Reduction of prior year expenditure	-	-	2,978	2,978
Total other financing uses	(99,148)	(100,959)	(97,981)	2,978
Net change in fund balance	(278,572)	20,538	67,620	47,082
Fund balance at beginning of year	1,267,670	1,267,670	1,267,670	-
Prior year encumbrances appropriated	13,921	13,921	13,921	-
Fund balance at end of year	$ 1,003,019	$ 1,302,129	$ 1,349,211	$ 47,082

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

4. Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

5. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY, OHIO

BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	General
Budget basis	$ 67,620
Net adjustment for revenue accruals	(142,482)
Net adjustment for expenditure accruals	(213,284)
Net adjustment for other financing sources/(uses)	206,933
Adjustment for encumbrances	30,015
GAAP basis	$ (51,198)

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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*

Governing Board
Madison-Champaign Educational Service Center
1512 S. U.S. Highway 68, Suite J100
Urbana, Ohio 43078

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Madison-Champaign Educational Service Center, Champaign County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Madison-Champaign Educational Service Center's basic financial statements and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Governing Board
Madison-Champaign Educational Service Center

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Governing Board of Madison-Champaign Educational Service Center and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
December 18, 2009

Mary Taylor, CPA
Auditor of State

MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 23, 2010

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