



Mary Taylor, CPA
Auditor of State

**OHIO VALLEY EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Ohio Valley Educational Service Center
Guernsey County
128 East 8th Street
Cambridge, Ohio 43725

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

December 29, 2009

Ohio Valley Educational Service Center, Ohio

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

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

Financial Highlights

Key financial highlights for the fiscal year 2009 are as follows:

- In total, net assets of governmental activities increased \$309,043 which represents a 40.5 percent increase from the prior fiscal year.
- General revenues accounted for \$903,927 in revenue or 9.1 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$9,049,461 or 90.9 percent of total revenues of \$9,953,388.
- The Educational Service Center had \$9,644,345 in expenses related to governmental activities; \$9,049,461 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$903,927 were adequate to provide for the remainder of these activities.
- The Educational Service Center's major fund is the General Fund. The General Fund had \$9,134,716 in revenues, \$8,969,653 in expenditures and \$5,071 in other financing sources and uses. The General Fund's balance increased \$170,134.

Using this Annual Financial Report

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

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

Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Reporting the Educational Service Center as a Whole

Statement of Net Assets and Statement of Activities

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

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

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

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

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

Fiduciary Funds The Educational Service Center's fiduciary funds are private purpose trust funds. All of the Educational Service Center's fiduciary activities are reported in the Statement of Fiduciary Net Assets. These activities are separate from the Educational Service Center's governmental and fund financial statements because the Educational Service Center cannot use these assets to finance its operations. Fiduciary funds use the accrual basis of accounting.

Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

The Educational Service Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole. Table I provides a summary of the Educational Service Center's net assets for 2009 compared to 2008.

Table I
Net Assets

	<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>	<u>Change</u>
Assets			
Current and Other Assets	\$2,465,384	\$2,214,125	\$251,259
Capital Assets	523,362	526,849	(3,487)
Total Assets	<u>2,988,746</u>	<u>2,740,974</u>	<u>247,772</u>
Liabilities			
Long-Term Liabilities	692,725	653,182	39,543
Other Liabilities	1,224,454	1,325,268	(100,814)
Total Liabilities	<u>1,917,179</u>	<u>1,978,450</u>	<u>(61,271)</u>
Net Assets			
Invested in Capital Assets, Net of Debt	225,729	216,202	9,527
Restricted for Other Purposes	126,027	95,540	30,487
Restricted for Unclaimed Monies	30,485	30,078	407
Unrestricted	689,326	420,704	268,622
Total Net Assets	<u>\$1,071,567</u>	<u>\$762,524</u>	<u>\$309,043</u>

Total assets increased \$247,772. The majority of the increase was due to an increase in cash and cash equivalents in the amount of \$117,353. In addition, the increase is attributed to an increase in intergovernmental receivables in the amount of \$92,659. The increase was offset by a slight decrease in capital assets attributed to depreciation.

Total liabilities decreased \$61,271. The majority of this decrease was due to a decrease in intergovernmental payables in the amount of \$158,309. This decrease was offset by an increase in long term liabilities in the amount of \$39,543 due to the inception of two capital leases. This increase in long term liabilities was offset by a decrease in the long term contract payable due to it being paid off during fiscal year 2009.

Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

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

Table 2
Changes in Net Assets

	Governmental Activities		Change
	2009	2008	
Revenues			
Program Revenues			
Charges for Services	\$6,790,087	\$6,452,574	\$337,513
Operating Grants and Contributions	2,259,374	2,183,202	76,172
Total Program Revenues	<u>9,049,461</u>	<u>8,635,776</u>	<u>413,685</u>
General Revenues			
Grants and Entitlements	866,804	596,698	270,106
Investment Earnings	15,264	62,021	(46,757)
Miscellaneous	21,859	57,972	(36,113)
Total General Revenues	<u>903,927</u>	<u>716,691</u>	<u>187,236</u>
Total Revenues	<u>9,953,388</u>	<u>9,352,467</u>	<u>600,921</u>
Program Expenses			
Instruction			
Regular	888,751	895,581	(6,830)
Special	2,248,826	2,557,188	(308,362)
Special - Intergovernmental	140,765	138,858	1,907
Adult/Continuing	40,802	45,331	(4,529)
Intervention	63,802	44,816	18,986
Support Services			
Pupils	1,888,762	1,735,691	153,071
Instructional Staff	2,689,408	2,516,046	173,362
Board of Education	49,803	47,013	2,790
Administration	986,178	929,903	56,275
Fiscal	448,798	342,447	106,351
Operation and Maintenance of Plant	99,819	264,313	(164,494)
Pupil Transportation	17,941	11,965	5,976
Central	6,315	10,023	(3,708)
Operation of Non-Instructional Services	3,829	5,788	(1,959)
Extracurricular Activities	53,974	49,405	4,569
Interest	16,572	17,528	(956)
Total Expenses	<u>9,644,345</u>	<u>9,611,896</u>	<u>32,449</u>
Change in Net Assets	309,043	(259,429)	568,472
Net Assets Beginning of Year	<u>762,524</u>	<u>1,021,953</u>	<u>(259,429)</u>
Net Assets End of Year	<u><u>\$1,071,567</u></u>	<u><u>\$762,524</u></u>	<u><u>\$309,043</u></u>

Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

During fiscal year 2009, the Educational Service Center's net assets increased \$309,043. This is mostly attributable to an increase in charges for services revenue in the amount of \$337,513. This increase is attributable to increased contracts for services between the Educational Service Center and its participating districts. Despite decreases in many of its grants, the Educational Service Center saw an increase in operating grants and contributions that is mostly attributable to an increase in Early Learning Initiative funding from the state.

Instruction comprises approximately 35.1 percent of governmental program expenses. A decrease in special instruction was offset by increases in support services for pupils and instruction. A decrease in operation and maintenance of plant of \$164,494 is due to the elimination of student monitors that were contracted through the Educational Service Center by a district outside of the Educational Service Center's serving area. These student monitors were not hired through the Educational Service Center during fiscal year 2009. Fiscal expenditures increased due to a return of CAFS monies that was made during fiscal year 2009.

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

Table 3
Governmental Activities

	2009 Total Cost of Services	2009 Net Cost of Services	2008 Total Cost of Services	2008 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$888,751	\$86,661	\$895,581	(\$327,963)
Special	2,248,826	(808,714)	2,557,188	(742,393)
Special - Intergovernmental	140,765	22,322	138,858	(31,400)
Adult/Continuing	40,802	17,435	45,331	(981,116)
Intervention	63,802	274	44,816	(71,280)
Support Services:				
Pupil	1,888,762	60,220	1,735,691	670,332
Instructional Staff	2,689,408	927,144	2,516,046	1,215,943
Board of Education	49,803	25,739	47,013	46,262
Administration	986,178	70,861	929,903	661,831
Fiscal	448,798	194,663	342,447	239,857
Operation and Maintenance of Plant	99,819	(57,117)	264,313	245,204
Pupil Transportation	17,941	11,426	11,965	11,014
Central	6,315	(186)	10,023	1,023
Operation of Non-Instructional Services	3,829	1,667	5,788	2,725
Extracurricular Activities	53,974	25,917	49,405	18,553
Interest and Fiscal Charges	16,572	16,572	17,528	17,528
Totals	\$9,644,345	\$594,884	\$9,611,896	\$976,120

Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Instruction programs comprise approximately 35 percent of total governmental program expenses, support services comprise approximately 64 percent of total governmental program expenses, and operation of non-instructional services, extracurricular activities, and interest expenses combined comprise approximately 1 percent of total governmental program expenses. Of the instruction expenses, approximately 71 percent is for special instruction. Of the support services expenses, approximately 31 percent is for pupils, 43 percent for instructional staff, and 16 percent for administration. The biggest difference in the net cost of services is reflected in the special instruction program. The direct charges for services the Educational Service Center is receiving from contracts with participating school districts is sufficient to cover the costs of administering the various programs for them. The programs that are lacking sufficient program revenues are the support services for pupils and instructional staff. This is a direct result of the elimination of CAFS reimbursements that were used to help offset the costs of this program.

The Educational Service Center's Major Fund

The Education Service Center has one major fund: the General Fund. The Educational Service Center's major fund is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$9,134,716, expenditures of \$8,969,653 and other financing uses of \$5,071. The General Fund had an increase in assets of \$218,786, which was mainly due to an increase in intergovernmental receivable, and an increase in liabilities of \$48,652, which was mainly due to an increase in accrued wages and deferred revenue. The increase to liabilities was offset by a decrease in intergovernmental payable. The General Fund had an increase in fund balance in the amount of \$170,134.

Budgeting Highlights

Under Ohio law, Educational Service Centers are no longer required to prepare a budget. Therefore, at June 30, 2009, a budgetary statement is not presented within the basic financial statements because the Board did not approve estimated revenues or adopt appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$523,362 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 balances compared to 2008.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	\$100,344	\$100,344
Land Improvements	\$2,655	\$2,908
Buildings	375,601	403,404
Machinery, Equipment Furniture, and Fixtures	44,762	20,193
Totals	<u>\$523,362</u>	<u>\$526,849</u>

See Note 8 for more information on Capital Assets.

Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Unaudited

Debt

At June 30, 2009, the School District had the following debt outstanding:

Table 5
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	2009	2008
Building Note	\$231,375	\$239,677
Building Improvement Note	38,352	42,687
Long Term Contract Payable	0	28,283
Capital Leases	27,906	0
	<u>\$297,633</u>	<u>\$310,647</u>

See Notes 13 and 14 for more information on debt.

Economic Factors

As the preceding information shows, the Educational Service Center relies heavily on the special education services it provides to its local, city, and exempted village school districts. The majority of these services are special education in nature. The services these children are to be provided are mandated by Individual Education Plans (IEPs). The districts are required, by law, to serve these children. The school districts may provide the services through their own personnel, or contract out to have it provided. Many of the served districts rely solely on the Educational Service Center to provide these services. Special education service charges are based upon the actual cost of the service divided by the number of students who will benefit from the service. The financial positions of the school districts and their willingness to continue to contract for special education services with the Educational Service Center will continue to have an impact on the increase or decrease in revenues of the Educational Service Center.

Other significant revenue sources for the Educational Service Center are state foundation payments and grants. Existing contracts with the Educational Service Center's districts, as well as the Educational Service Center's cash balance, will provide the Educational Service Center with the necessary funds to operate during fiscal year 2010. However, the financial health of the Educational Service Center presents certain challenges. The Educational Service Center's state funding has been frozen at \$40.52 per pupil since fiscal year 2000. The center relies on the \$40.52 per pupil to support fiscal and administrative costs.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, districts, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Megan Atkinson, Treasurer at the Ohio Valley Educational Service Center, 128 East 8th Street, Cambridge, Ohio 43725. You may also E-mail the treasurer at megan.atkinson@omeresanet.net.

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Ohio Valley Educational Service Center, Ohio

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,403,666
Cash and Cash Equivalents with Fiscal Agent	305,959
Accounts Receivable	9,823
Intergovernmental Receivable	733,288
Prepays	12,648
Non-Depreciable Capital Assets	100,344
Depreciable Capital Assets, Net	<u>423,018</u>
Total Assets	<u>2,988,746</u>
Liabilities	
Accounts Payable	38,799
Accrued Wages and Benefits Payable	743,645
Intergovernmental Payable	180,908
Matured Compensated Absences Payable	4,763
Claims Payable	256,339
Long-Term Liabilities:	
Due Within One Year	133,542
Due in More Than One Year	<u>559,183</u>
Total Liabilities	<u>1,917,179</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	225,729
Restricted for Other Purposes	126,027
Restricted for Unclaimed Monies	30,485
Unrestricted	<u>689,326</u>
Total Net Assets	<u>\$1,071,567</u>

See accompanying notes to the basic financial statements

Ohio Valley Educational Service Center, Ohio

Statement of Activities

For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$888,751	\$674,729	\$127,361	(\$86,661)
Special	2,248,826	1,930,394	1,127,146	808,714
Special - Intergovernmental	140,765	0	118,443	(22,322)
Adult/Continuing	40,802	23,367	0	(17,435)
Intervention	63,802	59,918	3,610	(274)
Support Services:				
Pupils	1,888,762	1,377,412	451,130	(60,220)
Instructional Staff	2,689,408	1,487,851	274,413	(927,144)
Board of Education	49,803	23,453	611	(25,739)
Administration	986,178	772,385	142,932	(70,861)
Fiscal	448,798	253,921	214	(194,663)
Operation and Maintenance of Plant	99,819	150,138	6,798	57,117
Pupil Transportation	17,941	6,515	0	(11,426)
Central	6,315	501	6,000	186
Operation of Non-Instructional Services	3,829	1,503	659	(1,667)
Extracurricular Activities	53,974	28,000	57	(25,917)
Interest	16,572	0	0	(16,572)
Total Governmental Activities	\$9,644,345	\$6,790,087	\$2,259,374	(594,884)
General Revenues				
Grants and Entitlements not Restricted to				
				866,804
				15,264
				21,859
				<u>903,927</u>
				309,043
				<u>762,524</u>
				<u><u>\$1,071,567</u></u>

See accompanying notes to the basic financial statements

Ohio Valley Educational Service Center, Ohio

Balance Sheet

Governmental Funds

June 30, 2009

	General	Governmental Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,243,474	\$129,707	\$1,373,181
Accounts Receivable	7,483	2,340	9,823
Interfund Receivable	32,652	0	32,652
Intergovernmental Receivable	650,316	82,972	733,288
Prepaid Items	12,321	327	12,648
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	30,485	0	30,485
Total Assets	<u>\$1,976,731</u>	<u>\$215,346</u>	<u>\$2,192,077</u>
Liabilities			
Accounts Payable	\$23,076	\$15,723	\$38,799
Accrued Wages and Benefits Payable	715,367	28,278	743,645
Interfund Payable	0	32,652	32,652
Intergovernmental Payable	166,851	14,057	180,908
Matured Compensated Absences Payable	4,763	0	4,763
Deferred Revenue	433,122	2,702	435,824
Total Liabilities	<u>1,343,179</u>	<u>93,412</u>	<u>1,436,591</u>
Fund Balances			
Reserved for Encumbrances	1,144	203	1,347
Reserved for Unclaimed Monies	30,485	0	30,485
Unreserved, Undesignated Reported in:			
General Fund	601,923	0	601,923
Special Revenue Funds	0	121,731	121,731
Total Fund Balances	<u>633,552</u>	<u>121,934</u>	<u>755,486</u>
Total Liabilities and Fund Balances	<u>\$1,976,731</u>	<u>\$215,346</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 523,362

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Grants	229,237	
Tuition	300	
Contract Services	<u>206,287</u>	435,824

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Capital Leases	(27,906)	
2007 Building Note	(231,375)	
2007 Building Improvement Note	(38,352)	
Compensated Absences Payable	<u>(395,092)</u>	(692,725)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets. 49,620

Net Assets of Governmental Activities \$1,071,567

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, 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			
Intergovernmental	\$2,555,146	\$359,953	\$2,915,099
Interest	9,025	0	9,025
Tuition and Fees	1,002,269	0	1,002,269
Rent	25,795	0	25,795
Extracurricular Activities	5,016	0	5,016
Gifts and Donations	100	0	100
Contract Services	5,526,224	315,601	5,841,825
Miscellaneous	11,141	0	11,141
Total Revenues	9,134,716	675,554	9,810,270
Expenditures			
Current:			
Instruction:			
Regular	823,647	69,594	893,241
Special	2,173,678	85,370	2,259,048
Adult/Continuing	40,028	0	40,028
Intervention	0	63,802	63,802
Support Services:			
Pupils	1,718,280	176,358	1,894,638
Instructional Staff	2,598,557	108,256	2,706,813
Board of Education	43,766	0	43,766
Administration	986,412	38,287	1,024,699
Fiscal	382,174	77,790	459,964
Operation and Maintenance of Plant	91,919	6,472	98,391
Pupil Transportation	17,941	0	17,941
Central	1,032	5,283	6,315
Operation of Non-Instructional Services	3,179	650	3,829
Extracurricular Activities	52,955	1,000	53,955
Capital Outlay	1,428	0	1,428
Debt Service:			
Principal	32,361	12,637	44,998
Interest	2,296	14,276	16,572
Total Expenditures	8,969,653	659,775	9,629,428
Other Financing Sources (Use)			
Transfers In	0	26,913	26,913
Inception of Capital Lease	31,984	0	31,984
Transfers Out	(26,913)	0	(26,913)
Total Other Financing Sources (Use)	5,071	26,913	31,984
Net Change in Fund Balances	170,134	42,692	212,826
Fund Balances Beginning of Year	463,418	79,242	542,660
Fund Balances End of Year	\$633,552	\$121,934	\$755,486

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

*Reconciliation of the 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	\$212,826
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlays:

Capital Asset Additions	31,984	
Depreciation Expense	<u>(35,471)</u>	(3,487)

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

Contract Services	(80,102)	
Intergovernmental	210,979	
Tuition	<u>300</u>	131,177

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 40,920

The inception of a capital lease is reported as an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net assets (31,984)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 4,078

Expenses from compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (52,557)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. The net change of the internal service fund is reported with governmental activities. 8,070

Change in Net Assets of Governmental Activities	<u><u>\$309,043</u></u>
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See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

Statement of Fund Net Assets

Health Self-Insurance Internal Service Fund

June 30, 2009

	Self-Insurance Fund
Current Assets	
Cash and Cash Equivalents with Fiscal Agent	\$305,959
Current Liabilities	
Claims Payable	<u>256,339</u>
Net Assets	
Unrestricted	<u><u>\$49,620</u></u>

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Health Self-Insurance Internal Service Fund
For the Fiscal Year Ended June 30, 2009

	Self-Insurance Fund
Operating Revenues	
Charges for Services	\$1,135,097
Other Revenues	5,702
Total Operating Revenues	1,140,799
Operating Expenses	
Purchased Services	341,315
Claims	797,653
Total Operating Expenses	1,138,968
Operating Income	1,831
Non-Operating Revenue	
Interest	6,239
Change in Net Assets	8,070
Net Assets Beginning of Year	41,550
Net Assets End of Year	\$49,620

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

Statement of Cash Flows

Health Self-Insurance Internal Service Fund

For the Fiscal Year Ended June 30, 2009

	Self-Insurance Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$1,135,097
Other Cash Receipts	5,702
Cash Payments for Goods and Services	(341,315)
Cash Payments for Claims	(782,413)
	<hr/>
Net Cash Provided by Operating Activities	17,071
Cash Flows from Investing Activities	
Interest on Investments	6,239
	<hr/>
Net Increase in Cash and Cash Equivalents	23,310
Cash and Cash Equivalents Beginning of Year	282,649
	<hr/>
Cash and Cash Equivalents End of Year	<u>\$305,959</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$1,831
Increase in Claims Payable	15,240
	<hr/>
Net Cash Provided by Operating Activities	<u>\$17,071</u>

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$260,651</u>
Net Assets	
Held in Trust for Scholarships	<u>\$260,651</u>

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2009

	Private Purpose Trust
Additions	
Gifts and Contributions	\$1,556
Interest	1,233
Total Additions	2,789
Deductions	
Scholarships Awarded	8,789
Change in Net Assets	(6,000)
Net Assets Beginning of Year	266,651
Net Assets End of Year	\$260,651

See accompanying notes to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Ohio Valley Educational Service Center, Guernsey County (the “Educational Service Center”), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Educational Service Center is a combined educational service center as defined by Section 3311.053 of the Ohio Revised Code. The Educational Service Center provides supervisory, special education, administrative, and other services to the Belpre City, Caldwell Exempted Village, Cambridge City, East Guernsey Local, Fort Frye Local, Frontier Local, Marietta City, Noble Local, Rolling Hills Local, Switzerland of Ohio Local, Union Local, Wolf Creek Local, and Warren Local School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of eleven elected members. Members are elected to staggered four year terms. The Educational Service Center has 97 certificated and 104 non-certificated employees that provide services to the school districts.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Ohio Valley Educational Service Center, this includes general operations and student related activities.

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

The Educational Service Center is associated with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Coalition of Rural and Appalachian Schools (CORAS), and the Ohio Coalition of Equity and Adequacy of School Funding which are defined as jointly governed organizations; the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), and the Ohio School Plan (OSP), which are defined as group insurance purchasing pools; and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Program, which is defined as a claims servicing pool. Additional information concerning these organizations is presented in Notes 15, 16, and 17 to the basic financial statements.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the Educational Service Center that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Educational Service Center does not have any business-type funds.

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

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

Proprietary Fund Type

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

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

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Fiduciary Fund Types

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center's private purpose trust fund accounts for a college scholarship program

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Revenues - Exchange and Non-exchange Transactions

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

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

Under the modified accrual basis, grants and contract services are considered to be both measurable and available at year end.

Deferred Revenue

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

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

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

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 the governmental funds.

E. Budgetary Data

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

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

F. Cash and Cash Equivalents

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The Educational Service Center participates in the OME-RESA insurance consortium for self-insurance. These monies are held separate from the Educational Service Center's central bank account and are reflected in the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

At fiscal year end 2009, the Educational Service Center had no investments.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$9,025, which includes \$3,802 assigned from other Educational Service Center funds.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

H. Capital Assets

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	40 Years
Machinery, Equipment, Furniture and Fixtures	5-20 Years

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

I. Compensated Absences

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

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

J. Accrued Liabilities and Long-term Obligations

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

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

K. Fund Balance Reserves

The Educational Service 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 and unclaimed monies.

The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include state and federal grants restricted to expenditures for specified purposes. The government-wide statement of net assets reports \$156,512 of restricted net assets, of which none are restricted by enabling legislation.

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

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

M. Interfund Balances/Interfund Transactions

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated on the statement of net assets. Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the statement of activities. Payments for interfund goods and services provided and used are not eliminated on the government wide financial statements.

Transfers among governmental activities are eliminated on the statement of activities.

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Educational Service Center, these revenues are charges for services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund. Revenues and expenses not meeting this definition are reported as non-operating.

O. Estimates

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

P. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/expenses. For fiscal year 2009, this included the Early Childhood Special Education Grant Special Revenue Fund.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2009, the Educational Service Center has implemented Governmental Accounting Standards Board (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”.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 scope of the statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care and nuclear power plant decommissioning. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 52 requires endowments, including permanent funds, to report land and other real estate investments at fair value, and to report the changes in fair value as investment income. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The implementation of this statement did not result in any change to the financial statements.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the School District treasury. Active monies must be maintained either as cash in the School District 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 of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District can 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;

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations describe in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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

At June 30, 2009, the Educational Service Center's internal service fund had a balance of \$305,959 with OME-RESA, a jointly governed organization (See Note 15). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the Educational Service Center. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$1,929,597 of the Educational Service Center's bank balance of \$2,189,301 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

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

Investments As of June 30, 2009, the Educational Service Center had no investments.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 5 - STATE AND LOCAL SCHOOL DISTRICT FUNDING

The Educational Service Center, under state law, provides supervisory services to school districts within its territory. Each local, city, and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's local, city, and exempted village school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of the local and client school districts agree to the services and the apportionment of the costs to all of the local and client school districts.

The Educational Service Center also receives funding from the State Department of Education in the amount of \$40.52 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Educational Service Center's local and client school district an amount equal to \$6.50 times the school district's total student count and remits this amount to the Educational Service Center.

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2009, consisted of contract services and grants. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
CAFS Reimbursement	\$227,779
Tuition	300
Social Worker Grant	9,390
After School Grant	2,887
Alternative Education Challenge Grant	8,505
Parent Mentor Grant	8,119
Homeless Grant	1,198
School Improvement Grant	4,800
Kiwanis Grant	1,300
Rent	4,547
Contract Services	<u>464,463</u>
Total Intergovernmental Receivable	<u><u>\$733,288</u></u>

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 7 – INTERFUND TRANSFERS AND BALANCES

A. Interfund Transfers

	<u>Transfers To</u>
	Other
	Nonmajor
<u>Transfers From</u>	<u>Governmental Funds</u>
General Fund	<u>\$26,913</u>

During fiscal year 2009, the General Fund transferred \$26,913 to the Debt Service Fund for payment on the Building Note and Building Improvement Note.

B. Interfund Balances

	<u>Advance To</u>
	Other
	Nonmajor
<u>Advance From</u>	<u>Governmental Funds</u>
General Fund	<u>\$32,652</u>

Interfund balances at June 30, 2009, consisted of monies advanced from the General Fund to the Miscellaneous Local Special Revenue Fund and Miscellaneous State Grants Special Revenue Fund to cover deficit balances at fiscal year end in the amounts of \$30,000 and \$2,652, respectively.

Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

NOTE 8 - CAPITAL ASSETS

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Nondepreciable Capital Assets				
Land	\$100,344	\$0	\$0	\$100,344
Total Nondepreciable Assets	<u>100,344</u>	<u>0</u>	<u>0</u>	<u>100,344</u>
Depreciable Capital Assets				
Land Improvements	32,728	0	(17,613)	15,115
Buildings	956,683	0	0	956,683
Machinery, Equipment, Furniture and Fixtures	<u>29,601</u>	<u>31,984</u>	<u>0</u>	<u>61,585</u>
Total Capital Assets Being Depreciated	<u>1,019,012</u>	<u>31,984</u>	<u>(17,613)</u>	<u>1,033,383</u>
Less Accumulated Depreciation:				
Land Improvements	(29,820)	(253)	17,613	(12,460)
Buildings	(553,279)	(27,803)	0	(581,082)
Machinery, Equipment, Furniture and Fixtures	<u>(9,408)</u>	<u>(7,415)</u>	<u>0</u>	<u>(16,823)</u>
Total Accumulated Depreciation	<u>(592,507)</u>	<u>(35,471) *</u>	<u>17,613</u>	<u>(610,365)</u>
Total Capital Assets Being Depreciated, Net	<u>426,505</u>	<u>(3,487)</u>	<u>0</u>	<u>423,018</u>
Governmental Activities Capital Assets, Net	<u><u>\$526,849</u></u>	<u><u>(\$3,487)</u></u>	<u><u>\$0</u></u>	<u><u>\$523,362</u></u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,695
Special	4,423
Adult/Continuing	417
Support Services:	
Pupils	3,655
Instructional Staff	7,233
Board of Education	6,037
Administration	9,365
Fiscal	1,646
Total Governmental Depreciation	<u><u>\$35,471</u></u>

NOTE 9 - RISK MANAGEMENT

A. Insurance

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP. (See Note 17)

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

During fiscal year 2009, the Educational Service Center purchased the following coverage:

Ohio School Plan

Fleet Insurance:		
Liability	\$1,000,000	any one accident
Educational General Liability:		
General Aggregate Limit	\$3,000,000	
Employee Benefits Liability:		
Aggregate Limit	\$3,000,000	\$2,500 deductible
Employers' Liability:		
Bodily Injury	\$1,000,000	any one accident
Educational Legal Liability:		
Errors and Omissions Aggregate Limit	\$3,000,000	\$2,500 deductible
Employment Practices Injury Aggregate Limit	\$3,000,000	\$2,500 deductible
Declaratory, Equitable, and Injunctive Relief		
Defense Aggregate	\$100,000	\$2,500 deductible
Violence Coverage:		
Plan Aggregate Limit	\$1,000,000	
Building	\$2,695,246	

Settled claims have not exceeded their commercial coverage in any of the past three years. There has been a reduction in insurance coverage from the prior year in the area of fleet insurance due to the Educational Service Center not owning any vehicles.

B. Workers' Compensation Group Rating Plan

For fiscal year 2009, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

C. Medical/Surgical, Dental, Vision, and Prescription Drug Insurances

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The Educational Service Center pays for 82% of family, employee plus spouse or employee plus child coverage and 84% of single coverage premiums for this insurance. The Educational Service Center is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. The claims liability of \$256,339 reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$22,183	\$873,486	\$654,570	\$241,099
2009	241,099	797,653	782,413	256,339

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board policies and State laws. Eligible classified employees earn twelve to twenty days of vacation per year, depending upon length of service. Administrators earn twenty days of vacation per year. Teachers do not earn vacation time. The liability for vacation benefits is recorded as long-term liabilities.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees can accumulate sick leave days up to a maximum of 180 days. Upon retirement, payment is made for twenty-five percent of the employees' accumulated sick leave with a maximum payment being limited to 45 days.

B. Other Employee Benefits

The Educational Service Center provides term life insurance and accidental death and dismemberment insurance through Colonial Life Insurance Company in the amount of \$30,000 for all of its full time employees.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$167,564, \$168,382, and \$180,078, respectively; 89.33 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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

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

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

Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$590,731, \$586,994, and \$561,308, respectively; 89.40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$4,113 made by the Educational Service Center and 14,579 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009, the board members are the Educational Service Center's only employees that have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 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, this amount was \$35,800.

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

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$77,681, \$80,055, and \$77,431, respectively; 88.21 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 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 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$14,001, \$12,175, and \$11,123 respectively; 89.46 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center’s contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$45,441, \$45,153, and \$43,178 respectively; 89.40 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the Educational Service Center’s long-term obligations during the fiscal year 2009 were as follows:

	Outstanding 06/30/08	Additions	Deductions	Outstanding 06/30/09	Amount Due Within One Year
Governmental Activities					
2007 Building Note - 5.1%	\$239,677	\$0	\$8,302	\$231,375	\$8,731
2007 Building - 5.1%					
Improvement Note	42,687	0	4,335	38,352	4,542
Long Term Contract Payable	28,283	0	28,283	0	0
Capital Leases Payable	0	31,984	4,078	27,906	5,640
Compensated Absences	342,535	189,745	137,188	395,092	114,629
Total Governmental					
Long-Term Liabilities	<u>\$653,182</u>	<u>\$221,729</u>	<u>\$182,186</u>	<u>\$692,725</u>	<u>\$133,542</u>

Capital leases and compensated absences will be paid from the General Fund.

The 2007 building note was issued in the amount of \$255,000 for the purchase of an administration building. The 2007 building improvement note was issued in the amount of \$50,000 for making improvements to the administration building. The long term contract was entered into with Johnson Controls to provide a service contract to fund, maintain, and install a boiler system and condensate return system at 115 Victory Place, at a cost of \$67,594. The balance of the contract was retired during fiscal year 2009 from the General Fund.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Principal and interest requirements to retire the Building Note outstanding at June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$8,731	\$11,762	\$20,493
2011	9,194	11,299	20,493
2012	9,650	10,842	20,492
2013	10,191	10,301	20,492
2014	10,731	9,762	20,493
2015-2016	<u>182,878</u>	<u>17,882</u>	<u>200,760</u>
Totals	<u>\$231,375</u>	<u>\$71,848</u>	<u>\$303,223</u>

Principal and interest requirements to retire the Building Improvement Note outstanding at June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$4,542	\$1,878	\$6,420
2011	4,783	1,638	6,421
2012	5,032	1,388	6,420
2013	5,303	1,118	6,421
2014	5,583	837	6,420
2015-2017	<u>13,109</u>	<u>801</u>	<u>13,910</u>
Totals	<u>\$38,352</u>	<u>\$7,660</u>	<u>\$46,012</u>

NOTE 14 – CAPITAL LEASES

During fiscal year 2009, the Educational Service Center entered into capitalized lease agreements for two copying machines in the amount of \$17,484 and \$14,500 respectively. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from support service expenditures in the budgetary statements to principal debt service expenditures in the basic financial statements for the General Fund.

Actual principal payments in fiscal year 2009 totaled \$4,078. The equipment was originally capitalized in the amount of \$31,984, the present value of the minimum lease payments at the inception of the leases. The accumulated depreciation as of June 30, 2009 was \$5,040 and the book value was \$29,944.

Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

<u>Fiscal Year</u>	<u>Amount</u>
2010	\$8,091
2011	8,091
2012	8,091
2013	8,091
2014	<u>1,718</u>
Total Minimum Lease Payments	34,082
Less: Amount Representing Interest	<u>(6,176)</u>
Present Value of Minimum Lease Payments	<u><u>\$27,906</u></u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)

OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA includes school districts from 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The Educational Service Center's payment for computer services to OME-RESA in fiscal year 2009 was \$16,864. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

B. Coalition of Rural and Appalachian Schools (CORAS)

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2009.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

C. Ohio Coalition of Equity and Adequacy of School Funding

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2008, the Educational Service Center paid \$1,000 to the Coalition. Financial information can be obtained by contacting the Coalition's fiscal agent, Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville, Ohio 43701-3709.

NOTE 16 – RISK SHARING, CLAIMS SERVICING POOL, AND INSURANCE PURCHASING POOL

The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

NOTE 17 - INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP)

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Educational Service Center's enrollment fee for fiscal year 2009 was \$740.

B. Ohio School Plan (OSP)

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

NOTE 18- CONTINGENCIES

A. Grants

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

B. Litigation

The Educational Service Center is currently a party to legal proceedings. The outcome cannot be determined at this time.



Mary Taylor, CPA

Auditor of State

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

Ohio Valley Educational Service Center
Guernsey County
128 East 8th Street
Cambridge, Ohio 43725

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ohio Valley Educational Service Center, Guernsey County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2009, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated December 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Mary Taylor, CPA
Auditor of State

December 29, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Valley Educational Service Center
Guernsey County
128 East 8th Street
Cambridge, Ohio 43725

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 20, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

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- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

December 29, 2009



Mary Taylor, CPA
Auditor of State

OHIO VALLEY EDUCATIONAL SERVICE CENTER

GUERNSEY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 26, 2010**