



Dave Yost • Auditor of State



**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER  
GEAUGA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report	1
<b>Fiscal Year 2010:</b>	
Management's Discussion and Analysis	3
Basic Financial Statements	
Governmental-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund	15
Statement of Fiduciary Net Assets – Fiduciary Funds	16
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Basic Financial Statements	19

**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER  
GEAUGA COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
<b>Fiscal Year 2009:</b>	
Management's Discussion and Analysis	37
Basic Financial Statements	
Governmental-Wide Financial Statements:	
Statement of Net Assets	43
Statement of Activities	44
Fund Financial Statements:	
Balance Sheet – Governmental Funds	45
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	46
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	47
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	48
Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund	49
Statement of Fiduciary Net Assets – Fiduciary Funds	50
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	51
Notes to the Basic Financial Statements	53
Independent Accountants' Report on Compliance and Internal Control Over Financial Reporting and on compliance and other matters Required by Government Auditing Standards	71



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Geauga County Educational Service Center  
Geauga County  
470 Center Street, Building #2  
Chardon, Ohio 44024

To the Board:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Geauga County Educational Service Center, Geauga County, Ohio (the Service Center), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Geauga County Educational Service Center, Geauga County, Ohio, as of June 30, 2010, and 2009 and the respective changes in financial position, thereof and budgetary comparison for the General Fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2011, on our consideration of the 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.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

March 22, 2011

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

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

### **Financial Highlights**

Key Financial Highlights for 2010 are as follows:

- A presentation of financial information under Governmental Accounting Standards Board (GASB) Statement Number 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".
- In total, net assets decreased by \$31,562.
- Revenues for governmental activities totaled \$10,837,234 in 2010. Of this total, 8 percent consisted of General revenues while Program revenues accounted for the balance of 92 percent.
- Program expenses totaled \$10,868,796. Instructional expenses made up 33 percent of this total while support services accounted for 67 percent.

### **Using this Annual Financial Report**

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

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

### **Reporting the Service Center as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

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

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

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.

The *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction 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 11. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

#### *Governmental Funds*

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

### **The Educational Service Center as a Whole**

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



**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2010  
Unaudited

---

**Table 1**  
**Net Assets**

	<i>Governmental Activities</i>	
	<i>2010</i>	<i>2009</i>
<b>Assets</b>		
Current and Other Assets	\$2,093,815	\$2,009,106
Capital Assets, Net	48,017	42,643
<i>Total Assets</i>	2,141,832	2,051,749
<b>Liabilities</b>		
Current and Other Liabilities	1,081,030	1,001,985
Long-Term Liabilities		
Due Within One Year	33,675	31,282
Due in More than One Year	218,254	178,047
<i>Total Liabilities</i>	1,332,959	1,211,314
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	48,017	42,643
Restricted for Other Purposes	16,380	69,212
Unrestricted	744,476	728,580
<i>Total Net Assets</i>	\$808,873	\$840,435

Total assets increased by \$90,083. Current and Other Assets increased by \$84,709. The increase is attributed to a slight increase in cash and cash equivalents and intergovernmental receivables. Liabilities increased by \$121,645 mostly as a result of an increase in accrued wages and the benefits payable associated to accrued wages.

By comparing assets and liabilities, one can see the overall position of the Educational Service Center remains stable as evidenced by the minimal change in net assets.

Table 2 shows the changes in net assets from fiscal year 2010 to fiscal year 2009. A comparative analysis of government-wide data is presented below:

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

**Table 2**  
**Changes in Net Assets**

	<i>Governmental Activities 2010</i>	<i>Governmental Activities 2009</i>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$9,730,781	\$9,151,674
Operating Grants and Contributions	235,006	408,144
<i>Total Program Revenues</i>	<u>9,965,787</u>	<u>9,559,818</u>
General Revenues:		
Grants and Entitlements	839,465	835,379
Investments	3,342	10,844
Miscellaneous	28,640	30,254
<i>Total General Revenues</i>	<u>871,447</u>	<u>876,477</u>
<i>Total Revenues</i>	<u>10,837,234</u>	<u>10,436,295</u>
<b>Program Expenses</b>		
Instruction		
Regular	153,842	153,647
Special	3,182,758	2,963,782
Vocational	210,125	100,688
Adult/Continuing	217	28,526
Support Services:		
Pupil	3,472,365	3,375,606
Instructional Staff	2,058,055	1,852,600
Board of Education	29,167	39,372
Administration	1,339,150	1,172,020
Fiscal	230,302	249,661
Business	21,260	105,426
Operation and Maintenance	63,010	79,878
Pupil Transportation	4,079	0
Central	104,466	113,750
<i>Total Program Expenses</i>	<u>10,868,796</u>	<u>10,223,422</u>
Increase (Decrease) in Net Assets	(31,562)	212,873
<i>Net Assets, Beginning of Year</i>	<u>840,435</u>	<u>627,562</u>
<i>Net Assets, End of Year</i>	<u><u>\$808,873</u></u>	<u><u>\$840,435</u></u>

**Governmental Activities**

Table 2 compares 2010 revenues and expenses to 2009. During the year, the Educational Service Center collected significantly more charges for service and sales revenue as compared to fiscal year 2009. This increased collection can be attributed to additional revenues generated due to staff development services offered to participating districts and additional pupil support services offered to participating districts. Expenditures also increased significantly due to the additional pupil and staff support offered to the participating districts.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$903,009 Net Cost of Services 2010, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	<i>Total Cost of Services 2010</i>	<i>Net Cost of Services 2010</i>
Instruction:		
Regular	\$153,842	\$29,369
Special	3,182,758	265,145
Vocational	210,125	16,219
Adult/Continuing	217	17
Support Services:		
Pupil	3,472,365	253,572
Instructional Staff	2,058,055	162,653
Board of Education	29,167	3,601
Administration	1,339,150	155,844
Fiscal	230,302	15,821
Business	21,260	1,641
Operation and Maintenance of Plant	63,010	4,863
Pupil Transportation	4,079	(15,922)
Central	104,466	10,186
<i>Total</i>	<i>\$10,868,796</i>	<i>\$903,009</i>

**The Educational Service Center's Funds**

Information regarding the Educational Service Center's major fund can be found on page 20 & 21 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,931,384 and expenditures of \$10,831,571. The General Fund balance increased \$134,904.

**General Fund Budgeting Highlights**

The Educational Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the general fund.

During the course of fiscal 2010, the Educational Service Center amended its general fund budget significantly. Many of the amendments were due to changes made in service programs offered to the participating districts; such as additional pupil support services and staff development services. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year federal and state grants will be awarded or material changes in existing grants will require a budgetary modification.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
*Unaudited*

---

For the general fund, the original budget basis revenue estimate totaled \$9,793,757 compared to the final budget basis revenue estimate of \$10,473,607. The increase can be attributed to increased collection from tuition and fees revenues. The final budget basis expenditures estimate totaled \$10,686,028 compared to original estimates of \$11,843,012. Changes were made to special education programs which warranted reduced special in special education instructional cost and support services for pupils during the fiscal year.

**Capital Assets**

At the end of fiscal 2010, the Educational Service Center had \$48,017 invested in furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal 2010 values compared to 2009.

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

	<i>Governmental Activities</i>	
	<i>2010</i>	<i>2009</i>
Furniture and Fixtures	\$192,270	\$174,230
Accumulated Depreciation	(144,253)	(131,587)
<i>Totals</i>	<i>\$48,017</i>	<i>\$42,643</i>

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

**Current Financial Related Activities**

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

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lorri Petersen, Treasurer, at Geauga County Educational Service Center, 470 Center St. Bldg 2, Chardon, Ohio 44024-1068 or call 440-285-2222.

# Geauga County Educational Service Center

## Statement of Net Assets

June 30, 2010

	<b><i>Governmental Activities</i></b>
<b><i>Assets</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,499,102
Intergovernmental Receivable	594,713
Depreciable Capital Assets, net	48,017
<b><i>Total Assets</i></b>	<b>2,141,832</b>
<b><i>Liabilities</i></b>	
Accounts Payable	1,895
Accrued Wages and Benefits	876,979
Intergovernmental Payable	191,221
Matured Compensated Absences Payable	10,935
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	33,675
Due in More Than One Year	218,254
<b><i>Total Liabilities</i></b>	<b>1,332,959</b>
<b><i>Net Assets</i></b>	
Invested in Capital Assets, Net of Related Debt	48,017
Restricted for Other Purposes	16,380
Unrestricted	744,476
<b><i>Total Net Assets</i></b>	<b>\$808,873</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

	<u>Program Revenues</u>		<i>Net (Expense) Revenue and Changes in Net Assets</i>
	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Expenses</u>			
<b>Governmental Activities</b>			
Instruction:			
Regular	\$153,842	\$113,576	\$10,897
Special	3,182,758	2,853,958	63,655
Vocational	210,125	193,906	0
Adult/Continuing	217	200	0
Support Services:			
Pupils	3,472,365	3,186,239	32,554
Instructional Staff	2,058,055	1,802,196	93,206
Board of Education	29,167	25,566	0
Administration	1,339,150	1,151,612	31,694
Fiscal	230,302	214,481	0
Business	21,260	19,619	0
Operation and Maintenance of Plant	63,010	58,147	0
Pupil Transportation	4,079	20,001	0
Central	104,466	91,280	3,000
<b>Totals</b>	<u>\$10,868,796</u>	<u>\$9,730,781</u>	<u>\$235,006</u>
			<u>(\$903,009)</u>
<b>General Revenues</b>			
			839,465
Grants and Entitlements not Restricted to Specific Programs			3,342
Investment Earnings			28,640
Miscellaneous			<u>871,447</u>
<b>Total General Revenues</b>			<u>871,447</u>
<b>Change in Net Assets</b>			<u>(31,562)</u>
<b>Net Assets, Beginning of Year</b>			<u>840,435</u>
<b>Net Assets, End of Year</b>			<u>\$808,873</u>

See Accompanying Notes to the Basic Financial Statements

# Geauga County Educational Service Center

## Balance Sheet

### Governmental Funds

June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,474,870	\$24,232	\$1,499,102
Intergovernmental Receivable	594,713	0	594,713
<i>Total Assets</i>	<u>\$2,069,583</u>	<u>\$24,232</u>	<u>\$2,093,815</u>
<b>Liabilities</b>			
Accounts Payable	\$1,895	\$0	\$1,895
Accrued Wages and Benefits	870,092	6,887	876,979
Intergovernmental Payable	190,258	963	191,221
Matured Compensated Absences Payable	10,935	0	10,935
<i>Total Liabilities</i>	<u>1,073,180</u>	<u>7,850</u>	<u>1,081,030</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	26,828	632	27,460
Unreserved, Undesignated, Reported in:			
General Fund	969,575	0	969,575
Special Revenue Funds	0	15,750	15,750
<i>Total Fund Balances</i>	<u>996,403</u>	<u>16,382</u>	<u>1,012,785</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,069,583</u>	<u>\$24,232</u>	<u>\$2,093,815</u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2010*

***Total Governmental Fund Balances*** \$1,012,785

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 48,017

Long-term compensated absences liabilities are not due and  
payable in the current period and therefore are not reported  
in the funds. (251,929)

***Net Assets of Governmental Activities*** \$808,873

See Accompanying Notes to the Basic Financial Statements



**Geauga County Educational Service Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Customer Sales and Services	\$7,512,913	\$11,544	\$7,524,457
Intergovernmental	839,465	252,747	1,092,212
Tuition and Fees	2,282,733	0	2,282,733
Interest	3,342	0	3,342
Gifts and Donations	27,469	0	27,469
Miscellaneous	1,171	0	1,171
<b>Total Revenues</b>	<u>10,667,093</u>	<u>264,291</u>	<u>10,931,384</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	118,322	35,520	153,842
Special	3,092,674	77,354	3,170,028
Vocational	210,125	0	210,125
Adult/Continuing	217	0	217
Support Services:			
Pupils	3,452,747	34,461	3,487,208
Instructional Staff	1,945,183	117,114	2,062,297
Board of Education	27,704	0	27,704
Administration	1,247,938	31,933	1,279,871
Fiscal	232,421	0	232,421
Business	21,260	0	21,260
Operation and Maintenance of Plant	63,010	0	63,010
Pupil Transportation	21,673	0	21,673
Central	98,915	3,000	101,915
<b>Total Expenditures</b>	<u>10,532,189</u>	<u>299,382</u>	<u>10,831,571</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	134,904	(35,091)	99,813
<b>Other Financing Sources (Uses)</b>			
Transfers In	67,404	0	67,404
Transfers Out	(67,404)	0	(67,404)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	134,904	(35,091)	99,813
<b>Fund Balances, Beginning of Year</b>	861,499	51,473	912,972
<b>Fund Balances, End of Year</b>	<u>\$996,403</u>	<u>\$16,382</u>	<u>\$1,012,785</u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

***Net Change in Fund Balances - Total Governmental Funds*** \$99,813

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

Intergovernmental revenues in the statement of activities that do not  
provide current financial resources are not reported as revenues in the funds. (94,149)

Governmental funds report capital outlay as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	21,632	
Capital Assets - Disposals	(306)	
Depreciation	<u>(15,952)</u>	
Total		5,374

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

Compensated Absences	<u>(42,600)</u>	
Total		<u>(42,600)</u>

*Changes in Net Assets of Governmental Activities* (\$31,562)

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over/(Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Customer Sales and Services	\$6,786,288	\$7,297,332	\$7,297,332	\$0
Intergovernmental	829,719	839,465	839,465	0
Tuition and Fees	2,152,100	2,304,828	2,304,828	0
Interest	10,500	3,342	3,342	0
Gifts and Donations	15,150	27,469	27,469	0
Miscellaneous	0	1,171	1,171	0
<b>Total Revenues</b>	<b>9,793,757</b>	<b>10,473,607</b>	<b>10,473,607</b>	<b>0</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	124,424	119,890	119,391	499
Special	3,495,443	3,126,618	3,076,907	49,711
Vocational	285,385	195,432	194,840	592
Adult/Continuing	(627)	3,906	217	3,689
Support Services:				
Pupils	3,834,114	3,444,186	3,427,701	16,485
Instructional Staff	2,011,797	2,038,234	1,959,053	79,181
Board of Education	45,453	39,329	32,306	7,023
Administration	1,571,720	1,240,573	1,231,130	9,443
Fiscal	239,473	234,861	233,075	1,786
Business	21,711	21,260	21,260	0
Operation and Maintenance of Plant	63,139	63,564	63,258	306
Transportation	21,734	21,734	21,673	61
Central	129,246	136,441	100,653	35,788
<b>Total Expenditures</b>	<b>11,843,012</b>	<b>10,686,028</b>	<b>10,481,464</b>	<b>204,564</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(2,049,255)</b>	<b>(212,421)</b>	<b>(7,857)</b>	<b>204,564</b>
<b>Other Financing Sources and Uses</b>				
Transfers In	0	67,404	67,404	0
Advances In	0	10,845	10,845	0
Transfer Out	(142,187)	(67,404)	(67,404)	0
<b>Total Other Financing Sources and Uses</b>	<b>(142,187)</b>	<b>10,845</b>	<b>10,845</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(2,191,442)</b>	<b>(201,576)</b>	<b>2,988</b>	<b>204,564</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,401,806</b>	<b>1,401,806</b>	<b>1,401,806</b>	<b>0</b>
Prior Year Encumbrances Appropriated	41,830	41,830	41,830	0
<b>Fund Balance (Deficit) End of Year</b>	<b>(\$747,806)</b>	<b>\$1,242,060</b>	<b>\$1,446,624</b>	<b>\$204,564</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2010*

	<u><i>Investment Trust</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,653,918</u>
<i>Total Assets</i>	<u><u>1,653,918</u></u>
<i>Net Assets</i>	
Held in Trust for Pool Participants	<u>1,653,918</u>
<i>Total Net Assets</i>	<u><u>\$1,653,918</u></u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Funds*

*For the Fiscal Year June 30, 2010*

	<u><i>Investment Trust</i></u>
<i><b>Additions</b></i>	
Interest	\$3,327
<i><b>Deductions</b></i>	
Distributions to Participants	(3,327)
Capital Transactions	170,343
<i>Total Deductions</i>	<u>167,016</u>
<i>Change in Net Assets</i>	170,343
<i>Net Assets, Beginning of Year</i>	<u>1,483,575</u>
<i>Net Assets, End of Year</i>	<u><u>\$1,653,918</u></u>

See Accompanying Notes to the Basic Financial Statements

This Page Intentionally Left Blank

## **Geauga County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

---

### **Note 1 - Description of the Educational Service Center**

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 92 noncertificated and 103 certificated staff who provide services to 12,270 students through the school districts in Geauga County.

#### *Reporting Entity*

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

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

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in note 7 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

### **Note 2 - Summary of Significant Accounting Policies**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

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



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

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

***Fiduciary Fund Type*** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has an investment trust fund which is used to account for the activity of the external investment pool for the Lake-Geauga Computer Association. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no agency funds.

**C. Measurement Focus**

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

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

The investment trust fund is reported using the 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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting** (continued)

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

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

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

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

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

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

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

**E. Budgetary Data**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**E. Budgetary Data** (continued)

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

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

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2010, the Educational Service Center investments were limited to STAROhio (State Treasury Asset Reserve of Ohio).

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents.

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2010, the general fund received interest earned in the amount of \$3,342 and the private purpose trust received interest earned in the amount of \$3,327.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center's capitalization threshold is \$1,000. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives for furniture and fixtures of five to ten years.

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund net assets.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Accrued Liabilities and Long-Term Obligations** (continued)

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

**L. Interfund Transactions**

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

**M. Net Assets**

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

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

**N. Fund Balance Reserves**

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

**O. Estimates**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Educational Service Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2010.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**Q. Changes in Accounting Principles**

For the year ended June 30, 2010, The Educational Service Center has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies."

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition and measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**Note 3 - Budgetary Basis of Accounting**

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010(continued)

**Note 3 - Budgetary Basis of Accounting (continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements on a fund type basis for the general fund.

*Net Change in Fund Balance*

	<i>General</i>
<i>GAAP Basis</i>	\$134,904
Net Adjustment for Revenue Accruals	(193,486)
Advances In	10,845
Net Adjustment for Expenditure Accruals	78,981
Adjustment for Encumbrances	(28,256)
<i>Budget Basis</i>	\$2,988

**Note 4 - Deposits and Investments**

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

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

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

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

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

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 4 - Deposits and Investments** (continued)

Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio; (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

**Deposits** At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,967,307. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2010, \$2,609,123 of the Educational Service Center's \$3,109,123 bank balance was exposed to custodial risk as discussed below, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the Educational Service Center.



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010(continued)

**Note 4 - Deposits and Investments** (continued)

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 at all times be at least one hundred five percent of the deposits being secured.

**Investments** As of June 30, 2010, the School District had the following investments and maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>6 months or Less</i>
STAR Ohio	<u>\$185,713</u>	<u>\$185,713</u>
<i>Totals</i>	<u>\$185,713</u>	<u>\$185,713</u>

The weighted average maturity of the investments is daily.

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

**Credit Risk.** The School District's investments, STAR Ohio, were rated AAA by Standard & Poor's.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested to any one issuer. The School District at June 30, 2010 had one hundred percent of it's investments with STAR Ohio.

**Note 5 - Receivables**

Receivables at June 30, 2010, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund:</i>	
Intergovernmental	<u>\$ 594,713</u>
<i>Total General Fund</i>	<u>594,713</u>
<i>Total Intergovernmental Receivables</i>	<u>\$ 594,713</u>

**Note 6 - State Funding**

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$43.50 for each of the 12,962 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service Center provides services.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 6 - State Funding** (continued)

These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

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

**Note 7 - Jointly Governed Organization and Insurance Purchasing Pool**

**A. Jointly Governed Organization**

The Lake-Geauga Education Computer Association (“Association”) is a jointly governed organization consisting of 18 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Association is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association’s assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Concord Township, Ohio, 44077.

**B. Insurance Purchasing Pool**

The Educational Service Center participates in a group rating plan for workers’ compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Program (“Plan”) was established as an insurance purchasing pool.

The Plan’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 Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010(continued)

**Note 8 - Capital Assets**

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

	<u>Balance at</u> <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>6/30/10</u>
<i>Governmental Activities:</i>				
<i>Capital Assets, being depreciated:</i>				
Furniture, Fixtures & Equipment	\$ 174,230	\$ 21,632	\$ (3,592)	\$ 192,270
<i>Total Capital Assets, being depreciated</i>	<u>174,230</u>	<u>21,632</u>	<u>(3,592)</u>	<u>192,270</u>
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures & Equipment	(131,587)	(15,952)	3,286	(144,253)
<i>Total Accumulated Depreciation</i>	<u>(131,587)</u>	<u>(15,952)</u>	<u>3,286</u>	<u>(144,253)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 42,643</u>	<u>\$ 5,680</u>	<u>\$ (306)</u>	<u>\$ 48,017</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$ 7,343
Support Services:	
Pupils	112
Instructional Staff	1,841
Board of Education	1,463
Administration	1,575
Fiscal	301
Transportation	766
Central	<u>2,551</u>
<i>Total Depreciation Expense</i>	<u>\$ 15,952</u>

There was no significant construction in progress at June 30, 2010.

**Note 9 - Risk Management**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Educational Service Center was insured under the county wide contract held by the Geauga County Commissioners.

Professional liability was protected by Hylant Administrative Services, LLC with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible for each claim. Vehicles are covered under Hylant Administrative Services, LLC and holds a \$100 deductible for comprehensive and \$500 deductible for collision. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past fifteen years.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 9 - Risk Management** (continued)

For fiscal year 2010, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 7B). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to districts that can meet the selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program.

**Note 10 - Defined Benefit Pension Plan**

**A. School Employee Retirement System**

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2010, 12.74 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, 2010, 2009 and 2008 were \$193,437, \$133,407, and \$117,124, respectively; 100 percent had been contributed for all three years.

**B. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strs.org](http://www.strs.org).

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 10 - Defined Benefit Pension Plans** (continued)

**B. State Teachers Retirement System** (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2010, 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 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$691,338, \$644,891, and \$616,332, respectively. 100 percent of the contributions have been contributed for all three fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010(continued)*

---

**Note 11 – Postemployment Benefits**

**A. School Employee Retirement System**

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.

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 2010, .46 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 2010, this amount was \$34,741.

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, 2010, 2009, and 2008 were \$6,984, \$62,884, and \$53,447, respectively; 100 percent was contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$11,539, \$11,337, and \$8,439, respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System**

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](http://www.strsoh.org) or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$53,180, \$49,607, and \$47,409 respectively; 100 percent was contributed for all years.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010(continued)

**Note 12 - Employee Benefits**

**A. Compensated Absences**

Certified and Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**B. Life Insurance**

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Co.

**Note 13 - Long-Term Obligations**

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

	<i>Balance July 1, 2009</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2010</i>	<i>Due Within One Year</i>
Compensated Absences	\$ 209,329	\$ 73,882	(\$ 31,282)	\$ 251,929	\$ 33,675
<i>Total Long-Term Obligations</i>	<u>\$ 209,329</u>	<u>\$ 73,882</u>	<u>(\$ 31,282)</u>	<u>\$ 251,929</u>	<u>\$ 33,675</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Note 14 - Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and 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 financial position of the Educational Service Center.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2010(continued)

**Note 15 – External Investment Pool**

By Statute, the Educational Service Center serves as fiscal agent for Lake Geauga Computer Association(LGCA), a legally separate entity. The Educational Service Center pools money of LGCA with the Educational Service Center’s for investment purposes. The Educational Service Center cannot allocate its investment between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. Condensed financial information for the investment pool follows:

*Statement of Net Assets*  
June 30, 2010

<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$3,153,020
<i>Total Assets</i>	\$3,153,020
 <b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$1,499,102
External Portion	1,653,918
<i>Total Net Assets Held in Trust for Pool Participants</i>	\$3,153,020

*Statement of Changes Net Assets*  
For Fiscal Year June 30, 2010

<b>Additions</b>	
Interest	\$6,669
Capital Transactions	465,676
<b>Total Additions</b>	472,345
 <b>Deductions</b>	
Distribution to Participants	(6,669)
 <i>Change in Net Assets</i>	 465,676
<i>Net Assets, Beginning of Year</i>	2,687,344
<i>Net Assets, End of Year</i>	\$3,153,020



**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

---

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

### **Financial Highlights**

Key Financial Highlights for 2009 are as follows:

- A presentation of financial information under Governmental Accounting Standards Board (GASB) Statement Number 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".
- In total, net assets increased by \$212,874.
- Revenues for governmental activities totaled \$10,436,295 in 2009. Of this total, 8 percent consisted of General revenues while Program revenues accounted for the balance of 92 percent.
- Program expenses totaled \$10,223,422. Instructional expenses made up 32 percent of this total while support services accounted for 68 percent.

### **Using this Annual Financial Report**

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

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

### **Reporting the Service Center as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

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

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

---

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.

The *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction 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 45. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

*Governmental Funds*

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

**The Educational Service Center as a Whole**

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

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

---

**Table 1**  
**Net Assets**

	<i>Governmental Activities</i>	
	<i>2009</i>	<i>2008</i>
<b>Assets</b>		
Current and Other Assets	\$2,009,106	\$1,780,738
Capital Assets, Net	42,643	54,615
<i>Total Assets</i>	2,051,749	1,835,353
<b>Liabilities</b>		
Current and Other Liabilities	1,001,985	974,383
Long-Term Liabilities		
Due Within One Year	31,282	28,834
Due in More than One Year	178,047	204,575
<i>Total Liabilities</i>	1,211,314	1,207,792
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	42,643	54,615
Restricted for Other Purposes	69,212	69,243
Unrestricted	728,580	503,703
<i>Total Net Assets</i>	\$840,435	\$627,561

Total assets increased by \$216,396. Current and Other Assets increased by \$228,368. The increase is attributed to a increase in cash and cash equivalents. Liabilities increased by \$3,522 mostly as a result of an increase in accrued wages and the benefits payable associated to accrued wages.

By comparing assets and liabilities, one can see the overall position of the Educational Service Center remains stable as evidenced by the minimal change in net assets.

Table 2 shows the changes in net assets from fiscal year 2009 to fiscal year 2008. A comparative analysis of government-wide data is presented below:

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2009

**Table 2**  
**Changes in Net Assets**

	<i>Governmental Activities 2009</i>	<i>Governmental Activities 2008</i>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$9,151,674	\$7,944,146
Operating Grants and Contributions	408,144	476,863
<i>Total Program Revenues</i>	<u>9,559,818</u>	<u>8,421,009</u>
General Revenues:		
Grants and Entitlements	835,379	818,881
Investments	10,844	46,875
Miscellaneous	30,254	0
<i>Total General Revenues</i>	<u>876,477</u>	<u>865,756</u>
<i>Total Revenues</i>	<u>10,436,295</u>	<u>9,286,765</u>
<b>Program Expenses</b>		
Instruction		
Regular	153,647	149,742
Special	2,952,248	2,870,264
Vocational	100,688	0
Adult/Continuing	28,526	26,841
Support Services:		
Pupil	3,375,606	3,077,788
Instructional Staff	1,852,600	2,201,733
Board of Education	39,372	30,215
Administration	1,172,020	553,524
Fiscal	249,661	220,367
Business	105,426	104,212
Operation and Maintenance	79,878	77,826
Central	113,750	119,160
<i>Total Program Expenses</i>	<u>10,223,422</u>	<u>9,431,672</u>
Increase (Decrease) in Net Assets	212,873	(144,907)
<i>Net Assets Beginning of Year</i>	<u>627,562</u>	<u>772,469</u>
<i>Net Assets End of Year</i>	<u>\$840,435</u>	<u>\$627,562</u>

**Governmental Activities**

Table 2 compares 2009 revenues and expenses to 2008. During the year, the Educational Service Center collected significantly more charges for service and sales revenue as compared to fiscal year 2008. This increased collection can be attributed to additional revenues generated due to staff development services offered to participating districts and additional pupil support services offered to participating districts. Expenditures also increased significantly due to the additional pupil and staff support offered to the participating districts.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

---

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$663,604 Net Cost of Services 2009, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

	<i>Total Cost of Services 2009</i>	<i>Net Cost of Services 2009</i>
Instruction:		
Regular	\$153,647	\$6,905
Special	2,952,248	179,708
Vocational	100,688	6,732
Adult/Continuing	28,526	(1,338)
Support Services:		
Pupil	3,375,606	229,020
Instructional Staff	1,852,600	127,286
Board of Education	39,372	2,632
Administration	1,172,020	77,869
Fiscal	249,661	18,360
Business	105,426	7,330
Operation and Maintenance of Plant	79,878	1,689
Central	113,750	7,411
<i>Total</i>	<i>\$10,223,422</i>	<i>\$663,604</i>

**The Educational Service Center's Funds**

Information regarding the Educational Service Center's major fund can be found on page 54 & 55 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$10,349,030 and expenditures of \$10,235,529. The General Fund balance increased \$124,387.

**General Fund Budgeting Highlights**

The Educational Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the general fund.

During the course of fiscal 2009, the Educational Service Center amended its general fund budget significantly. Many of the amendments were due to changes made in service programs offered to the participating districts; such as additional pupil support services and staff development services. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year federal and state grants will be awarded or material changes in existing grants will require a budgetary modification.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

---

For the general fund, the original budget basis revenue estimate totaled \$7,445,168 compared to the final budget basis revenue estimate of \$10,000,060. The increase can be attributed to increased collections from customer sales and services revenues and tuition and fees revenues. The final budget basis expenditures estimate totaled \$10,474,582 compared to original estimates of \$8,208,958, increased spending for special instruction and pupil support services expenditures contributed to the majority of budgetary modifications.

**Capital Assets**

At the end of fiscal 2009, the Educational Service Center had \$42,643 invested in furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal 2009 values compared to 2008.

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

	<i>Governmental Activities</i>	
	<i>2009</i>	<i>2008</i>
Furniture and Fixtures	\$174,230	\$168,030
Accumulated Depreciation	(131,587)	(113,414)
<i>Totals</i>	\$42,643	\$54,616

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

**Current Financial Related Activities**

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

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lorri Petersen, Treasurer, at Geauga County Educational Service Center, 470 Center St. Bldg 2, Chardon, Ohio 44024-1068 or call 440-285-2222.

# Geauga County Educational Service Center

## Statement of Net Assets

June 30, 2009

	<b><i>Governmental Activities</i></b>
<b><i>Assets</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,483,736
Intergovernmental Receivable	525,370
Depreciable Capital Assets, net	42,643
<b><i>Total Assets</i></b>	<b>2,051,749</b>
<b><i>Liabilities</i></b>	
Accounts Payable	245
Accrued Wages and Benefits	803,384
Intergovernmental Payable	190,462
Matured Compensated Absences Payable	7,894
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	31,282
Due in More Than One Year	178,047
<b><i>Total Liabilities</i></b>	<b>1,211,314</b>
<b><i>Net Assets</i></b>	
Invested in Capital Assets, Net of Related Debt	42,643
Restricted for Other Purposes	69,212
Unrestricted	728,580
<b><i>Total Net Assets</i></b>	<b>\$840,435</b>

See Accompanying Notes to the Basic Financial Statements

## Geauga County Educational Service Center

*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	<i>Program Revenues</i>		<i>Net (Expense)</i>
	<i>Charges for</i>	<i>Operating</i>	<i>Revenue and</i>
	<i>Services</i>	<i>Grants and</i>	<i>Changes in</i>
<i>Expenses</i>	<i>and Sales</i>	<i>Contributions</i>	<i>Net Assets</i>
			<i>Governmental</i>
			<i>Activities</i>
<b><i>Governmental Activities</i></b>			
Instruction:			
Regular	\$153,647	\$103,826	\$42,916
Special	2,952,248	2,646,485	126,055
Vocational	100,688	93,956	0
Adult/Continuing	28,526	3,897	25,967
Support Services:			
Pupils	3,375,606	3,078,181	68,405
Instructional Staff	1,852,600	1,658,122	67,192
Board of Education	39,372	36,740	0
Administration	1,172,020	1,035,052	59,099
Fiscal	249,661	231,301	0
Business	105,426	98,096	0
Operation and Maintenance of Plant	79,878	62,679	15,510
Central	113,750	103,339	3,000
	<u>\$10,223,422</u>	<u>\$9,151,674</u>	<u>\$408,144</u>
<b><i>Totals</i></b>			<u>(\$663,604)</u>
 <b><i>General Revenues</i></b>			
			835,379
Grants and Entitlements not Restricted to Specific Programs			10,844
Investment Earnings			30,254
Miscellaneous			<u>876,477</u>
<b><i>Total General Revenues</i></b>			
			<u>212,873</u>
<b><i>Change in Net Assets</i></b>			
			627,562
<b><i>Net Assets, Beginning of Year</i></b>			<u>840,435</u>
			<u>\$840,435</u>

See Accompanying Notes to the Basic Financial Statements



# Geauga County Educational Service Center

## Balance Sheet

### Governmental Funds

June 30, 2009

	<i><b>General Fund</b></i>	<i><b>Other Governmental Funds</b></i>	<i><b>Total Governmental Funds</b></i>
<i><b>Assets</b></i>			
Equity in Pooled Cash and Cash Equivalents	\$1,443,626	\$40,110	\$1,483,736
Intergovernmental Receivable	477,636	47,734	525,370
Interfund Receivable	10,844	0	10,844
<i>Total Assets</i>	<i>\$1,932,106</i>	<i>\$87,844</i>	<i>\$2,019,950</i>
 <i><b>Liabilities</b></i>			
Accounts Payable	\$245	\$0	\$245
Accrued Wages and Benefits	796,894	6,490	803,384
Intergovernmental Payable	189,165	1,297	190,462
Deferred Revenue	76,409	17,740	94,149
Interfund Payable	0	10,844	10,844
Matured Compensated Absences Payable	7,894	0	7,894
<i>Total Liabilities</i>	<i>1,070,607</i>	<i>36,371</i>	<i>1,106,978</i>
 <i><b>Fund Balances</b></i>			
Reserved for Encumbrances	41,653	165	41,818
Unreserved, Undesignated, Reported in:			
General Fund	819,846	0	819,846
Special Revenue Funds	0	51,308	51,308
<i>Total Fund Balances</i>	<i>861,499</i>	<i>51,473</i>	<i>912,972</i>
<i>Total Liabilities and Fund Balances</i>	<i>\$1,932,106</i>	<i>\$87,844</i>	<i>\$2,019,950</i>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities*  
June 30, 2009

***Total Governmental Fund Balances*** \$912,972

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

Intergovernmental assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds. 94,149

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 42,643

Long-term compensated absences liabilities are not due and  
payable in the current period and therefore are not reported  
in the funds. (209,329)

***Net Assets of Governmental Activities*** \$840,435

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	<b><i>General Fund</i></b>	<b><i>Other Governmental Funds</i></b>	<b><i>Total Governmental Funds</i></b>
<b><i>Revenues</i></b>			
Customer Sales and Services	\$6,765,367	\$47,343	\$6,812,710
Intergovernmental	835,379	359,794	1,195,173
Tuition and Fees	2,251,787	10,768	2,262,555
Interest	10,844	0	10,844
Gifts and Donations	18,675	37,494	56,169
Miscellaneous	11,579	0	11,579
<b><i>Total Revenues</i></b>	<b>9,893,631</b>	<b>455,399</b>	<b>10,349,030</b>
<b><i>Expenditures</i></b>			
Current:			
Instruction:			
Regular	109,771	43,876	153,647
Special	2,819,626	141,302	2,960,928
Vocational	100,688	0	100,688
Adult/Continuing	4,176	24,350	28,526
Support Services:			
Pupils	3,267,895	78,377	3,346,272
Instructional Staff	1,798,780	89,042	1,887,822
Board of Education	39,372	0	39,372
Administration	1,112,393	60,838	1,173,231
Fiscal	243,297	0	243,297
Business	105,125	0	105,125
Operation and Maintenance of Plant	57,378	22,500	79,878
Central	110,743	6,000	116,743
<b><i>Total Expenditures</i></b>	<b>9,769,244</b>	<b>466,285</b>	<b>10,235,529</b>
<b><i>Net Change in Fund Balances</i></b>	<b>124,387</b>	<b>(10,886)</b>	<b>113,501</b>
<b><i>Fund Balances, Beginning of Year</i></b>	<b>737,112</b>	<b>62,359</b>	<b>799,471</b>
<b><i>Fund Balances, End of Year</i></b>	<b>\$861,499</b>	<b>\$51,473</b>	<b>\$912,972</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2009*

***Net Change in Fund Balances - Total Governmental Funds*** \$113,501

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

Intergovernmental revenues in the statement of activities that do not 87,265  
provide current financial resources are not reported as revenues in the funds.

Governmental funds report capital outlay as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	6,200	
Depreciation	(18,173)	
	(11,973)	
Total		(11,973)

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

Compensated Absences	24,080	
Total		24,080

*Changes in Net Assets of Governmental Activities* \$212,873

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2009*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Over/(Under)</b>
<b>Revenues</b>				
Customer Sales and Services	\$5,673,350	\$6,882,356	\$6,882,356	\$0
Intergovernmental	816,118	835,379	835,379	0
Tuition and Fees	900,500	2,229,692	2,229,692	0
Interest	45,000	10,844	10,844	0
Gifts and Donations	10,200	18,675	18,675	0
Miscellaneous	0	23,114	11,579	(11,535)
<b>Total Revenues</b>	<b>7,445,168</b>	<b>10,000,060</b>	<b>9,988,525</b>	<b>(11,535)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	102,734	115,816	109,844	5,972
Special	2,256,134	3,098,482	2,819,167	279,315
Vocational	0	97,720	89,484	8,236
Adult/Continuing	0	8,310	4,176	4,134
Support Services:				
Pupils	2,838,042	3,478,884	3,263,639	215,245
Instructional Staff	1,776,637	1,916,399	1,846,125	70,274
Board of Education	18,805	44,491	39,512	4,979
Administration	750,213	1,128,161	1,064,510	63,651
Fiscal	221,727	250,808	243,706	7,102
Business	102,563	107,358	105,681	1,677
Operation and Maintenance of Plant	57,472	60,905	59,805	1,100
Central	84,631	167,248	130,961	36,287
<b>Total Expenditures</b>	<b>8,208,958</b>	<b>10,474,582</b>	<b>9,776,610</b>	<b>697,972</b>
<b>Excess of Revenues Over</b>				
<b>(Under) Expenditures</b>	<b>(763,790)</b>	<b>(474,522)</b>	<b>211,915</b>	<b>686,437</b>
<b>Other Financing Sources and Uses</b>				
Advances In	12,824	17,823	29,357	0
Advances Out	(12,824)	(10,844)	(10,844)	0
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>6,979</b>	<b>18,513</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(763,790)</b>	<b>(467,543)</b>	<b>230,428</b>	<b>686,437</b>
<b>Fund Balance, Beginning of Year</b>	<b>1,089,185</b>	<b>1,089,185</b>	<b>1,089,185</b>	<b>0</b>
Prior Year Encumbrances Appropriated	82,193	82,193	82,193	0
<b>Fund Balance, End of Year</b>	<b>\$407,588</b>	<b>\$703,835</b>	<b>\$1,401,806</b>	<b>\$686,437</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2009*

	<u><i>Investment Trust</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,483,575</u>
<i>Total Assets</i>	<u><u>1,483,575</u></u>
<i>Net Assets</i>	
Held in Trust for Pool Participants	<u>1,483,575</u>
<i>Total Net Assets</i>	<u><u>\$1,483,575</u></u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*For the Fiscal Year June 30, 2009*

	<i><b>Investment Trust</b></i>
<i><b>Additions</b></i>	
Interest	\$10,737
<i><b>Deductions</b></i>	
Distributions to Participants	(10,737)
Capital Transactions	71,637
	60,900
<i>Total Deductions</i>	60,900
<i>Change in Net Assets</i>	60,900
<i>Net Assets, Beginning of Year</i>	1,422,675
<i>Net Assets, End of Year</i>	\$1,483,575

See Accompanying Notes to the Basic Financial Statements

This Page Intentionally Left Blank



## **Geauga County Educational Service Center**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2009*

---

### **Note 1 - Description of the Educational Service Center**

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 91 noncertificated and 98 certificated staff who provide services to 12,465 students through the school districts in Geauga County.

#### *Reporting Entity*

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

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

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in note 7 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

### **Note 2 - Summary of Significant Accounting Policies**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

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

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has an investment trust fund which is used to account for the activity of the external investment pool for the Lake-Geauga Computer Association. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no agency funds.

**C. Measurement Focus**

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

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

The investment trust fund is reported using the 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. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting** (continued)

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

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

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

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

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

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**E. Budgetary Data**

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

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

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

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

**F. Cash and Cash Equivalents**

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

During fiscal year 2009, the Educational Service Center investments were limited to STAR Ohio (State Treasury Asset Reserve of Ohio).

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

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Cash and Cash Equivalents** (continued)

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2009, the general fund received interest earned in the amount of \$10,844 and the private purpose trust received interest earned in the amount of \$10,737.

**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 reported in the year which services are consumed.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center's capitalization threshold is \$1,000. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives for furniture and fixtures of five to ten years.

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund net assets.

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

**L. Interfund Transactions**

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

**M. Net Assets**

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

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

**N. Fund Balance Reserves**

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

**O. Estimates**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009(continued)

**Note 2 - Summary of Significant Accounting Policies** (continued)

**P. Extraordinary and Special Items**

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

**Note 3 - Budgetary Basis of Accounting**

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements on a fund type basis for the general fund.

*Net Change in Fund Balance*

	<i>General</i>
<i>GAAP Basis</i>	\$124,387
Net Adjustment for Revenue Accruals	94,894
Advances In	29,357
Net Adjustment for Expenditure Accruals	34,432
Advances Out	(10,844)
Adjustment for Encumbrances	(41,798)
	\$230,428
<i>Budget Basis</i>	



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 4 - Deposits and Investments**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009(continued)

**Note 4 - Deposits and Investments** (continued)

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

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

**Deposits** At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,332,194. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2009, \$2,091,092 of the Educational Service Center's \$2,591,092 bank balance was exposed to custodial risk as discussed below, while \$500,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve bank in the name of the Educational Service Center.

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 at all times be at least one hundred five percent of the deposits being secured.

**Investments** As of June 30, 2009, the School District had the following investments and maturities:

<i>Investment Type</i>	<i>Fair Value</i>	<i>6 months or Less</i>
STAR Ohio	\$635,117	\$635,117
<i>Totals</i>	<u>\$635,117</u>	<u>\$635,117</u>

The weighted average maturity of the investments is daily.

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009(continued)

**Note 4 - Deposits and Investments** (continued)

*Credit Risk.* The School District's investments, STAR Ohio, were rated AAAM by Standard & Poor's.

*Concentration of Credit Risk.* The School District places no limit on the amount that may be invested to any one issuer. The School District at June 30, 2009 had one hundred percent of it's investments with STAR Ohio.

**Note 5 - Receivables**

Receivables at June 30, 2009, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund:</i>	
Intergovernmental	\$ 477,636
<i>Total General Fund</i>	477,636
<i>Special Revenue Funds:</i>	
Adult Basic Education	10,200
Limited English Proficient	27,689
Federal Preschool	9,845
<i>Total Special Revenue Funds</i>	\$ 47,734
<i>Total Intergovernmental Receivables</i>	\$ 525,370

**Note 6 - State Funding**

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$43.50 for each of the 12,962 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service Center provides services. These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 7 - Jointly Governed Organization and Insurance Purchasing Pool**

**A. Jointly Governed Organization**

The Lake-Geauga Education Computer Association (“Association”) is a jointly governed organization consisting of 18 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Association is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association’s assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Concord Township, Ohio, 44077.

**B. Insurance Purchasing Pool**

The Educational Service Center participates in a group rating plan for workers’ compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Program (“Plan”) was established as an insurance purchasing pool.

The Plan’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 Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009(continued)

**Note 8 - Capital Assets**

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

	<u>Balance at</u> 6/30/08	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> 6/30/09
<i>Governmental Activities:</i>				
<i>Capital Assets, being depreciated:</i>				
Furniture, Fixtures & Equipment	\$ 168,030	\$ 6,200	\$ 0	\$ 174,230
<i>Total Capital Assets, being depreciated</i>	<u>168,030</u>	<u>6,200</u>	<u>0</u>	<u>174,230</u>
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures & Equipment	(113,414)	(18,173)	0	(131,587)
<i>Total Accumulated Depreciation</i>	<u>(113,414)</u>	<u>(18,173)</u>	<u>0</u>	<u>(131,587)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 54,616</u>	<u>\$ (11,973)</u>	<u>\$ 0</u>	<u>\$ 42,643</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$8,558
Support Services:	
Pupils	112
Instructional Staff	2,247
Administration	1,963
Fiscal	1,786
Business	301
Central	<u>3,206</u>
<i>Total Depreciation Expense</i>	<u>\$ 18,173</u>

There was no significant construction in progress at June 30, 2009.

**Note 9 - Risk Management**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the Educational Service Center was insured under the county wide contract held by the Geauga County Commissioners.

Professional liability was protected by Hylant Administrative Services, LLC with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible for each claim. Vehicles are covered by Hylant Admin Services, LLC. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past fifteen years.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 9 - Risk Management** (continued)

For fiscal year 2009, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 7B). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all

school districts in the Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to districts that can meet the selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program.

**Note 10 - Defined Benefit Pension Plan**

**A. School Employee Retirement System**

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 \$133,407, \$117,124, and \$92,994, respectively; 100 percent had been contributed for all three years.

**B. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strs.org](http://www.strs.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 10 - Defined Benefit Pension Plans(continued)**

**B. State Teachers Retirement System (continued)**

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 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 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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.

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 \$644,891, \$616,332, and \$559,810, respectively. 100 percent of the contributions have been contributed for all three fiscal years.

**C. Social Security System**

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

**Note 11 – Postemployment Benefits**

**A. School Employee Retirement System**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009(continued)*

---

**Note 11 – Postemployment Benefits(continued)**

**A. School Employee Retirement System (continued)**

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.

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 \$30,170.

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 \$62,884, \$53,447, and \$30,821, respectively; 100 percent was contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 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 \$11,337, \$8,439, and \$6,125, respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System**

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](http://www.strsoh.org) or by calling (888) 227-7877.

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$49,607, \$47,409, and \$43,062, respectively; 100 percent was contributed for al three fiscal years.



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009(continued)

**Note 12 - Employee Benefits**

**A. Compensated Absences**

Certified and Classified employees earn ten to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**B. Life Insurance**

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Company.

**Note 13 - Long-Term Obligations**

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

	<i>Balance</i> <i>July 1, 2008</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2009</i>	<i>Due Within</i> <i>One Year</i>
Compensated Absences	\$ 233,409	\$4,753	(\$28,833)	\$ 209,329	\$ 31,282
<i>Total Long-Term Obligations</i>	<u>\$ 233,409</u>	<u>\$4,753</u>	<u>(\$28,833)</u>	<u>\$ 209,329</u>	<u>\$ 31,282</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Note 14 - Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions specified in the grant agreements and 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 financial position of the Educational Service Center.

**Note 15 – Interfund Transactions**

Interfund balances at June 30, 2009, consist of a receivable of \$10,844 for the general fund and a payable of \$7,615 for the Adult Basic Learning special revenue fund and \$3,229 for the Title III special revenue fund.

**Note 16 – External Investment Pool**

By Statute, the Educational Service Center serves as fiscal agent for Lake Geauga Computer Association (LGCA), a legally separate entity. The Educational Service Center pools money of LGCA with the Educational Service Center's for investment purposes. The Educational Service Center cannot allocate its investment between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. Condensed financial information for the investment pool follows:

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009(continued)

**Note 16 – External Investment Pool** (continued)

*Statement of Net Assets*  
June 30, 2009

<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$2,687,311
<i>Total Assets</i>	\$2,687,311
 <b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$1,483,736
External Portion	1,483,575
<i>Total Net Assets Held in Trust for Pool Participants</i>	\$2,687,311

*Statement of Changes Net Assets*  
For Fiscal Year June 30, 2009

<b>Additions</b>	
Interest	\$21,581
Capital Transactions	(425)
<b>Total Additions</b>	21,189
<b>Deductions</b>	
Distribution to Participants	(21,581)
<i>Change in Net Assets</i>	(425)
<i>Net Assets, Beginning of Year</i>	2,687,736
<i>Net Assets, End of Year</i>	\$2,687,311



# Dave Yost • Auditor of State

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

Geauga County Educational Service Center  
Geauga County  
470 Center Street, Building #2  
Chardon, Ohio 44024

To the Board:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Geauga County Educational Service Center, Geauga County, (the Service Center) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801  
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Geauga County Educational Service Center  
Geauga County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Governmental Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 22, 2011



# Dave Yost • Auditor of State

**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER**

**GEAUGA 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  
APRIL 14, 2011**