



Dave Yost • Auditor of State



CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Clark County Educational Service Center  
Clark County  
25 West Pleasant Street  
Springfield, OH 45506

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Clark County Educational Service Center, Clark County, Ohio (the Service Center), as of and for the year ended June 30, 2011, 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 Clark County Educational Service Center, Clark County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011, the Service Center adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2012, 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* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Service Center's basic financial statements taken as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund provides additional analysis and is not a required part of the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

April 19, 2012

# CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (unaudited)

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The discussion and analysis of the Clark County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2011. 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 notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

#### *Overall:*

- Total net assets increased \$127,497 which represents a 7.5 percent increase from ending net assets reported at June 30, 2010.
- Total assets of governmental activities increased \$55,200 attributed primarily to the increased cash and restricted investment balance reported at June 30, 2011 compared with that reported for the prior year.
- Program revenues, in the form of charges for services and operating grants and contributions, accounted for \$5.2 million or 81.5 percent of total revenue. General revenue sources, primarily state foundation payments, accounted for the remaining \$1.2 million of revenue received by the Educational Service Center.
- Of the Educational Service Center's \$6.3 million in expenses, \$5.2 million were offset by program specific charges for services, grants or contributions. General revenues (primarily entitlements and interest) and beginning net assets were used to cover the net expense of \$1.1 million.
- The General Fund, the Educational Service Center's operating fund, had an ending fund balance of \$1.6 million or a \$242,669 increase from fiscal year 2010. The amount reported as restricted for specific purposes increased by \$113,066 from the amount reported one year prior due to an increase in the amount of funding held at year-end related to the contract with Springfield City Schools.

### **Using the Basic Financial Statements**

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

# CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011 (unaudited)

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

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

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

While this document contains a large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Educational Service Center's state funding, office space issues, and legislative decisions related to service delivery as well as organization of county service centers in the future.

In the Statement of Net Assets and the Statement of Activities, the Educational Service Center reports governmental activities. Governmental activities are the activities where most of the Educational Service Center's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant and pupil transportation. The Educational Service Center does not have any business-type activities.

### **Reporting the Educational Service Center's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the Educational Service Center's major funds begins after the Statement of Activities. Fund financial reports provide detailed information about the General Fund. 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, and therefore only the major fund is presented separate from the other governmental funds.



# CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(unaudited)

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## Governmental Funds

The Educational Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, 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**

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 2011 compared to 2010:

TABLE 1  
NET ASSETS

	<u>2011</u>	<u>2010</u>
<i>Assets</i>		
Current and Other Assets	\$ 2,432,783	\$ 2,324,726
Capital Assets	<u>453,330</u>	<u>506,187</u>
Total Assets	<u>2,886,113</u>	<u>2,830,913</u>
<i>Liabilities:</i>		
Long-term Liabilities	344,851	353,609
Other Liabilities	<u>713,128</u>	<u>776,667</u>
Total Liabilities	<u>1,057,979</u>	<u>1,130,276</u>
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	277,555	259,035
Restricted	603,861	626,987
Unrestricted	<u>946,718</u>	<u>814,615</u>
Total Net Assets	<u>\$ 1,828,134</u>	<u>\$ 1,700,637</u>

The amount by which the Educational Service Center's assets exceeded its liabilities is called net assets. As of June 30, 2011, the Educational Service Center's net assets were \$1,828,134. Of that amount, \$277,555 was invested in capital assets, net of debt related to those assets. Another \$603,861 was subject to external restrictions upon its use. The remaining net asset amount of \$946,718 is unrestricted and available to the Educational Service Center to fund general operations. Ending net assets increased by \$127,497 as compared with fiscal year 2010 or 7.5 percent. The increase in net assets is primarily related to the increased cash and investment balances, as well as decrease in the payable accounts, reported at June 30, 2011 compared with that reported for the prior year.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(unaudited)

Restricted net assets decreased by \$23,126 from fiscal year 2010. While the largest portion of the restricted amounts relate the Educational Service Center's contract agreement with the Springfield City School District, other grant programs, especially the Back to History grant fund reported lower year-end balances compared with those one year prior. At the end of fiscal year 2011, the Educational Service Center reported \$429,771 of net assets associated with the contract with the Springfield City School District compared to the \$392,285 reported one year prior.

The decrease in long-term liabilities was primarily due to the payment of schedule debt service payments on the various capital lease obligations to which the Educational Service Center is a party, which was partially offset by an increase in the long-term compensated absences reported for the fiscal year. Other liabilities decreased as payable accounts reported at June 30, 2011 were less than those reported for the prior year.

Table 2 shows the changes in net assets for fiscal year 2011 compared with the changes in net assets reported for the prior fiscal year.

TABLE 2  
CHANGES IN NET ASSETS

	<u>2011</u>	<u>2010</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services	\$ 4,109,558	\$ 4,565,087
Operating Grants & Contributions	1,109,506	470,915
General Revenues:		
Grants & Entitlements	1,077,398	1,156,261
Other	<u>105,301</u>	<u>206,446</u>
Total Revenues	<u>6,401,763</u>	<u>6,398,709</u>
<i>Program Expenses:</i>		
Instruction	1,563,897	1,340,597
Support Services:		
Pupils and Instructional Staff	3,732,628	3,945,495
Board of Education, Administration, Fiscal and Business	836,110	1,025,691
Plant Operation and Maintenance	86,595	84,194
Central	55,031	8,506
Interest and Fiscal Charges	<u>5</u>	<u>84</u>
Total Expenses	<u>6,274,266</u>	<u>6,404,567</u>
<i>Change in Net Assets</i>	<u>\$ 127,497</u>	<u>\$ (5,858)</u>

The Educational Service Center is funded through numerous means. The major components are tuition and fees, charges for services and intergovernmental (foundation). Total revenues reported for fiscal year 2011 were consistent with those reported for the prior year, increasing by less than one percent. The Educational Service Center provides various services to the six local school districts that it serves. In addition, certain services are also provided to the Springfield City School District through a contractual agreement with the Educational Service Center.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(unaudited)

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Management continues to make conscientious efforts to minimize operating expenses while maintaining the level of service and quality of programs which have always been provided. Total expenses reported for fiscal year 2011 decreased by \$130,301, or 2.0 percent, from those reported for the prior year; however the majority of the decrease in expenses is associated with programs outside the general fund. The decrease in expenses was the primary contributing factor to the \$127,497 increase in net assets reported for the fiscal year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services for fiscal years 2011 and 2010.

TABLE 3  
NET (EXPENSE) REVENUE OF SERVICE

	<u>2011</u>	<u>2010</u>
Instruction	\$ 2,801,399	\$ 2,016,834
Support Services:		
Pupils and Instructional Staff	(2,934,811)	(2,325,868)
Board of Education, Administration, Fiscal and Business	(784,959)	(969,747)
Plant Operation and Maintenance	(84,795)	(84,194)
Central	(52,031)	(5,506)
Interest and Fiscal Charges	(5)	(84)
Total Net Cost of Service	<u>\$ (1,055,202)</u>	<u>\$ (1,368,565)</u>

The majority of the services offered by the Education Service Center are classified as special education programs and therefore a significant portion of the charges for services (tuition and fees) charged to member districts are reported as program revenue associated with the special education instruction function. It should be noted, that while the programs are classified as special education instruction, the majority of the expenses related to these program (primarily personnel costs) are for pupil and instructional support personnel and are therefore reported in the support services categories. Member districts are charged for services and tuition in two different manners, through direct billing from the Educational Service Center and through deduction from their State funding provided through the Foundation Program. Intergovernmental grants restricted to educational programs also provide revenue which can be directly related to these expense categories.

The remaining expense categories are used to capture costs related to the general operation and management of the Educational Service Center. As there are very few revenue sources which are directly related to these expense categories, they are almost entirely financed through general revenues (state foundation funding, interest earnings and other miscellaneous revenue). Depreciation expense is charged to the function utilizing the corresponding capital asset.

In general, Table 3 indicates approximately 83.2 percent of the expenses of the Educational Service Center are funded through charges for services, tuition, and operating grants and contributions; the remaining 16.8 percent is funded through general revenues, including state foundation and interest earnings.

# CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011  
(unaudited)

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## **The Educational Service Center's Funds**

The Educational Service Center reports one major fund, the General Fund. All funds are classified as governmental funds and are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$6.5 million and expenditures of \$6.2 million. The net increase in fund balance of \$271,981 resulted in an overall fund balance of \$1,644,187 for all governmental funds, of which \$1,623,772 was reported in the General Fund. Included in the General Fund's ending fund balance, \$505,351 was restricted for various purposes and another \$369,439 has been assigned by the Governing Board for specific purposes. The remaining \$748,982 of the General Fund's ending fund balance was unassigned and is available for future appropriations as deemed appropriate by the Governing Board. The ending unassigned fund balance reported for the General Fund at year-end represents 12.6 percent of the total General Fund expenditures reported for the year.

## **Capital Assets**

At June 30, 2011 the capital assets of the Educational Service Center consisted of \$476,000 of buildings and improvements, \$440,339 of furniture and equipment and \$21,980 in vehicles, with accumulated depreciation of \$47,600, \$417,608 and \$19,781, respectively, resulting in net capital assets of \$453,330. The \$52,857 decrease in total net capital assets is due to depreciation expense for the year exceeding the capital asset additions.

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

## **Debt Administration**

At June 30, 2011, the debt obligations of the Educational Service Center consisted solely of capital leases agreements, entered into to obtain a building and various pieces of computer equipment. The remaining liability on these leases at the end of fiscal year 2011 totaled \$175,775. See notes 12 and 13 to the notes to the basic financial statements for additional information.

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

This financial report is designed to provide our citizens, taxpayers, 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 questions about this report or need additional financial information contact the Treasurer's Office at Clark County Educational Service Center, 25 West Pleasant Street, Springfield, OH 45506 or call (937) 325-7671.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

**CLARK COUNTY, OHIO**

Statement of Net Assets

June 30, 2011

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	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Investments	\$ 1,665,420
Restricted Cash and Investments	429,771
Intergovernmental Receivable	337,592
Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>453,330</u>
 Total Assets	 <u>2,886,113</u>
<b>LIABILITIES:</b>	
Accounts Payable	38,912
Accrued Wages and Benefits	550,370
Intergovernmental Payable	123,846
Noncurrent Liabilities:	
Due Within One Year	90,030
Due In More Than One Year	<u>254,821</u>
 Total Liabilities	 <u>1,057,979</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	277,555
Restricted for:	
Specific Educational Programs	174,090
State Mandates	429,771
Unrestricted	<u>946,718</u>
 Total Net Assets	 \$ <u><u>1,828,134</u></u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Statement of Activities  
For the Fiscal Year Ended June 30, 2011

<b>Functions/Programs:</b>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenue and Changes in Net Assets
				<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 1,345	61,509	-	60,164
Special	1,441,635	3,534,108	769,679	2,862,152
Vocational	55,766	-	-	(55,766)
Other	65,151	-	-	(65,151)
Support Services:				
Pupils	1,591,845	131,705	244,248	(1,215,892)
Instructional Staff	2,140,783	329,285	92,579	(1,718,919)
Board of Education	21,206	-	-	(21,206)
Administration	591,309	51,151	-	(540,158)
Fiscal	211,763	-	-	(211,763)
Business	11,832	-	-	(11,832)
Operation and Maintenance				
of Plant	86,595	1,800	-	(84,795)
Central	55,031	-	3,000	(52,031)
Interest and Fiscal Charges	<u>5</u>	<u>-</u>	<u>-</u>	<u>(5)</u>
Total	\$ <u>6,274,266</u>	<u>4,109,558</u>	<u>1,109,506</u>	<u>(1,055,202)</u>
General Revenues:				
Grants, Entitlements and Contributions not Restricted to Specific Programs				1,077,398
Investment Earnings				2,480
Other Revenue				<u>102,821</u>
Total General Revenues				<u>1,182,699</u>
Change in Net Assets				127,497
Net Assets, Beginning of Year				<u>1,700,637</u>
Net Assets, End of Year				\$ <u><u>1,828,134</u></u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Balance Sheet  
June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Equity in Pooled Cash and Investments	\$ 1,615,533	\$ 49,887	\$ 1,665,420
Restricted Cash and Investments	429,771	-	429,771
Receivables:			
Intergovernmental	241,204	96,388	337,592
Interfund	25,593	-	25,593
 Total Assets	 <u>\$ 2,312,101</u>	 <u>\$ 146,275</u>	 <u>\$ 2,458,376</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 28,030	\$ 10,882	\$ 38,912
Accrued Wages and Benefits	539,455	10,915	550,370
Intergovernmental Payable	117,774	6,072	123,846
Interfund Payable	-	25,593	25,593
Matured Compensated Absences	3,070	-	3,070
Deferred Revenue	-	72,398	72,398
 Total Liabilities	 <u>688,329</u>	 <u>125,860</u>	 <u>814,189</u>
<b>FUND BALANCES:</b>			
Restricted for:			
Local Grant Programs	75,580	23,837	99,417
State Grant Programs	-	2,277	2,277
State Mandates	429,771	-	429,771
Assigned for:			
Future Occupancy Cost	325,000	-	325,000
Future Severance Cost	44,439	-	44,439
Unassigned	748,982	(5,699)	743,283
 Total Fund Balances	 <u>1,623,772</u>	 <u>20,415</u>	 <u>1,644,187</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,312,101</u>	 <u>\$ 146,275</u>	 <u>\$ 2,458,376</u>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2011

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Total Governmental Fund Balances	\$ 1,644,187
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	453,330
Certain other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. Intergovernmental grants receivable	72,398
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds. Compensated absences payable Capital leases payable	(166,006) <u>(175,775)</u>
Net Assets of Governmental Activities	<u>\$ 1,828,134</u>

See accompanying notes to the basic financial statements.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY, OHIO**

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2011

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Intergovernmental	\$ 1,950,532	\$ 339,827	\$ 2,290,359
Tuition and Fees	3,941,029	-	3,941,029
Charges for Services	166,729	-	166,729
Interest	2,480	-	2,480
Miscellaneous	104,621	-	104,621
<b>Total Revenues</b>	<b>6,165,391</b>	<b>339,827</b>	<b>6,505,218</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	126	-	126
Special	1,423,434	-	1,423,434
Vocational	55,766	-	55,766
Other	65,151	-	65,151
Support Services:			
Pupils	1,508,565	73,379	1,581,944
Instructional Staff	1,861,925	235,339	2,097,264
Board of Education	21,206	-	21,206
Administration	585,885	197	586,082
Fiscal	210,070	-	210,070
Business	11,832	-	11,832
Operation and Maintenance of Plant	53,949	-	53,949
Central	53,431	1,600	55,031
Debt Service:			
Principal	71,377	-	71,377
Interest	5	-	5
<b>Total Expenditures</b>	<b>5,922,722</b>	<b>310,515</b>	<b>6,233,237</b>
Revenues Over/(Under) Expenditures	242,669	29,312	271,981
Fund Balance, Beginning of Year (Restated)	1,381,103	(8,897)	1,372,206
<b>Fund Balance, End of Year</b>	<b>\$ 1,623,772</b>	<b>\$ 20,415</b>	<b>\$ 1,644,187</b>

See accompanying notes to the basic financial statements.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011

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Total Net Change in Fund Balances - Total Governmental Funds	\$ 271,981
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the net difference between capital outlay and depreciation expense in the current period.	
Capital asset additions	2,862
Current year depreciation	<u>(55,719)</u>
Total	(52,857)
Revenue reported in the statement of activities that does not provide current financial resources are not reported as revenue in the funds.	
Intergovernmental	(103,455)
Repayment of capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the statement of net assets.	
	71,377
Long-term compensated absences are reported as expenses in the statement of activities; however, as these long-term obligations payable do not require the use of current financial resources, they are not reported as expenditures in the governmental funds.	
	<u>(59,549)</u>
Change in Net Assets of Governmental Activities	<u>\$ 127,497</u>

See accompanying notes to the basic financial statements.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

The Clark County Educational Service Center (the Educational Service Center) is located in Springfield, Ohio, the county seat. The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services by state and federal agencies. The Board controls the Educational Service Center's 41 support staff employees and 38 certified employees who provide services to the staff and students of the six local school districts within Clark County.

The Educational Service Center was established in 1914 in response to recommendations from the Ohio State School Survey Commission. Senate Bill 9, passed on February 4, 1914, provided for the standardization of schools and established the county educational service centers.

Since 1914, county superintendents have been involved in various areas of administration and performed many services, which include, but are not limited to the following: cooperative programs, supervision, liaison between local school districts and the Ohio Department of Education, health insurance programs, and special education services. Many of those services have been initiated by the county office of education without being legislatively mandated.

The Educational Service Center consists of five elected board members, a superintendent, a treasurer, and employees. The Clark County Educational Service Center is a chartered school district and was chartered July 21, 1989 by the State Board of Elections.

The Educational Service Center serves six local school districts: Greenon Local, Northeastern Local, Northwestern Local, Southeastern Local, Clark-Shawnee Local and Tecumseh Local. It also works with the Springfield-Clark County Career Technology Center in the areas of in-service of administrators. Springfield City Schools and the Educational Service Center have entered into a city/county agreement to provide services in designated areas.

Under Senate Bill 140, county educational service centers are required to appoint business advisory councils. The Educational Service Center has appointed a Business Advisory Council, which is strictly voluntary on the part of the members. There is no financial responsibility of the Educational Service Center for this council. Over the last 18 months, the Business Advisory Council has evolved and merged with the Aspire P-16 Council to promote education from preschool through college/technical school. This consolidated group then joined with the Clark County Chamber of Commerce's "Moving Forward Student Achievement Committee" as many business groups were involved in both committees with the same goals of the best education for all students of Clark County that will be the future of this County's workforce.

#### 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 and departments, not legally separate from the Educational Service Center. For the Educational Service Center, this includes all general operations.

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 body 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

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations for which the Educational Service Center approves the budget, the issuance of debt or the levying of taxes. The Educational Service Center does not have any component units.

The Educational Service Center is associated with five organizations, which are defined as jointly governed and three insurance purchasing pools. These organizations include the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative, the Clark County Family and Children First Council, the Springfield-Clark County Career Technology Center, Southwestern Ohio Instructional Technology Association, the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 14 and 15 to the basic financial statements

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***A. Basis Of Presentation***

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

#### **Government-Wide Financial Statements**

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

The statement of net assets presents the financial condition of the governmental activities of the Educational Service Center at year-end. The government-wide 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 requirements of a particular program. Revenues 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 governmental function is self-financing or draws from the general revenues of the Educational Service Center.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

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For the Fiscal Year Ended June 30, 2011

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### Fund Financial Statements

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

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

The other governmental funds of the Educational Service Center account for grants and other resources of the Educational Service Center whose uses are restricted or committed to a particular purpose.

### Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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. While the Educational Service Center had activity within an agency fund during the fiscal year which accounted for the activity of an employees Section 125 medical savings plan, there were no assets or liabilities reported at year end associated with this fund.

### ***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.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### 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.

Fiduciary funds are 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. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include property taxes, 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 non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed to be both measurable and available: tuition and fees, intergovernmental grants, and charges for services.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized on the government-wide financial statements recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

### ***E. Cash and Investments***

To improve cash management, cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are pooled in this account. Individual fund integrity is maintained through the Educational Service Center's records. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Investments".

During fiscal year 2011, the Educational Service Center's investments were limited to funds invested in certificates of deposit as well as the State Treasury Assets Reserves of Ohio (STAR 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 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2011 amounted to \$2,480 which includes \$59 assigned from other Educational Service Center funds.

For presentation on the statement of net assets and the governmental fund's balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

### ***F. Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America 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.

### ***G. Capital Assets and Depreciation***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 – 40 years
Equipment	5 – 15 years
Vehicles	8 years

***H. Compensated Absences***

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

A liability for sick leave is accrued using the vesting method which states that the Educational Service Center will estimate its liability based on sick leave accumulated at the end of the fiscal year by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated sick leave for all employees after ten years of current service with the Educational Service Center.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

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

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

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

***J. 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.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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***K. Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – fund balance is reported as restricted when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center’s governing board. Those committed amounts cannot be used for any other purpose unless the governing board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended use established by the District’s governing board.

Unassigned – unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. For the year ended June 30, 2011, the Educational Service Center did not report any fund balances meeting the definition of nonspendable or committed.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2011, the Educational Service Center has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this Statement resulted in the following change to fund balances at June 30, 2010, as previously reported:

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011

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	General Fund	Other Governmental Funds
Fund Balance, June 30, 2010, as previously reported	\$ 1,349,928	\$ 22,278
Reclassification of funds required by GASB Statement No. 54	31,175	(31,175)
Fund Balance, June 30, 2010, as restated	<u>\$ 1,381,103</u>	<u>\$ (8,897)</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes require the classification of monies held by the Educational Service Center into three categories.

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

Inactive monies are public deposits that the Educational Service Center has identified as not required for use with the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not 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 deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by the 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 money deposited with the institution.

Interim monies may be invested in the following obligations:

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

Bonds, notes, debentures, or 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 governmental agencies or instrumentalities;

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

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

Bonds and other obligations of the State of Ohio;

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;

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

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

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Educational Service Center's deposits may not be returned to it. Protection of the Educational Service Center's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$1,219,693 and the bank balance was \$1,354,768. Of the bank balance \$698,000 was covered by federal deposit insurance and the remaining \$656,768 was exposed to custodial credit risk as it was collateralized with pooled securities held by a trustee of the pledging institution.

Investments

The Educational Service Center's only investment at June 30, 2011 was in STAR Ohio, an investment pool operated by the Ohio State Treasurer. STAR Ohio is an uninsured and uncollateralized investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$875,498 at June 30, 2011 and was rated AAAM by Standard and Poors.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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**NOTE 5 – STATE FUNDING**

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) of their Budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$37. For the 2012-2013 biennium budget, funding for educational service centers was reduced to 90 percent of the total, or \$33.30 per student for fiscal year 2012. For fiscal year 2013, the amount is reduced to 85 percent of the original amount, or \$31.45 per student.

If additional funding is needed, and if a majority of the Boards of Educations of the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2011, consisted of amounts due on a federal educational grant as well as from school districts for services provided. All receivables are considered collectible in full and consisted of the following amounts as of June 30, 2011:

Amounts due from local school districts for services provided	\$ 241,204
<i>Amount due on educational grants:</i>	
Strengthening Families Grant	71,271
Back to History Grant	23,492
Family & Civic Engagements in Schools	<u>1,625</u>
Total Grant Receivable	<u>96,388</u>
Total Intergovernmental Receivable	<u>\$ 337,592</u>

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

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**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for fiscal year 2011 was as follows:

	Balance <u>7/1/2010</u>	Increase	Decrease	Balance <u>6/30/2011</u>
<b><u>Capital Assets, being depreciated</u></b>				
Buildings and Improvements	\$ 476,000	\$ -	\$ -	\$ 476,000
Furniture and Equipment	437,477	2,862	-	440,339
Vehicles	<u>21,980</u>	<u>-</u>	<u>-</u>	<u>21,980</u>
	<u>935,457</u>	<u>2,862</u>	<u>-</u>	<u>938,319</u>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings and Improvements	35,700	11,900	-	47,600
Furniture and Equipment	373,789	43,819	-	417,608
Vehicles	<u>19,781</u>	<u>-</u>	<u>-</u>	<u>19,781</u>
	<u>429,270</u>	<u>55,719</u> *	<u>-</u>	<u>484,989</u>
Governmental Activities Capital Assets, Net	<u>\$ 506,187</u>	<u>\$ (52,857)</u>	<u>\$ -</u>	<u>\$ 453,330</u>

\* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,219
Special	4,397
Support Services:	
Pupil Support	3,921
Instructional Support	4,109
Administration	8,355
Fiscal	1,072
Operation & Maintenance of Plant	<u>32,646</u>
Total Depreciation Expense	<u>\$ 55,719</u>

**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

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 2011, the Educational Service Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a member-owned insurance consortium pool. Each individual school district pays annual premiums determined by SORSA to be sufficient to provide for anticipated claims (See Note 15). SORSA utilizes commercial insurance companies to provide reinsurance coverage for all claims exceeding \$100,000 for property and automobile physical damage coverage and \$250,000 for third-party liability coverage. For equipment breakdown coverage SORSA reinsures 100 percent of this exposure and does not retain any level of self-insurance. There is a \$500 deductible for most claims.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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For the Fiscal Year Ended June 30, 2011

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Insurance coverage provided includes the following:

Fleet Liability	\$2,000,000
Auto Medical Payments	5,000
Uninsured Motorists	1,000,000
Education General Liability:	
Each Occurrence	2,000,000
Personal and Advertising Injury Limit – Each Offense	2,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	5,000
General Aggregate Limit	4,000,000
Products – Completed Operations Limit	2,000,000
Employee Benefits Liability:	
Each Offense	2,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	2,000,000
Disease-Each Employee	2,000,000

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

**B. Workers' Compensation**

For fiscal year 2011, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The plan is intended to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2011, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 15). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

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Notes to the Basic Financial Statements

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$164,014, \$180,311, and \$190,702, respectively, equal to the required contributions for each year.

***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 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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For the fiscal year ended June 30, 2011, 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. 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 contributions for pension obligations for the fiscal years ended June 30, 2011, 2010, and 2009 were \$355,477, \$364,138, and \$421,733, respectively, equal to required contributions for each year. Member and employer contributions actually made for defined contribution and combined plan participants will be provided upon written request.

### ***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 have an option to choose Social Security or the SERS/STRS. As of June 30, 2011, four out of the five members of the Governing Board have elected social security. The Educational Service Center's liability is 6.2 percent of wages paid.

### **NOTE 10 – POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS).

#### ***A. School Employees Retirement System***

The School Employees Retirement System (SERS) administers two postemployment benefit plans, Medicare Part B and Health Care Plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under *Forms and Publications*.

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 contributions 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 2011, 1.43 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 2011, this amount was \$35,800. State law provides that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The amount of the Educational Service Center's contributions to SERS allocated to the Health Care Plan for the years ended June 30, 2011, 2010, and 2009 were \$38,669, \$24,362, and \$56,666, respectively.



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, 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, 2011, 2010, and 2009 were \$8,904, \$9,788, and \$10,216, respectively.

**B. School Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free 1-888-227-7877.

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 2011, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the years ended June 30, 2011, 2010 and 2009 were \$25,391, \$26,010, and \$30,124, respectively.

**NOTE 11 – OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave benefits are derived from Board policy and State laws. All twelve month certified employees earn twenty days of vacation per fiscal year, eleven month certified employees earn fifteen days of vacation per fiscal year and ten month certified employees earn ten days of vacation per fiscal year. Certified employees working less than ten months do not earn vacation time.

Support staff employees earn ten days of vacation after one year of service; after eight years of service they earn fifteen days of vacation; with fifteen years of service they earn twenty days of vacation and after twenty-five years of service they earn twenty-five days of vacation per year. Accumulated, unused vacation must be used by December of the fiscal year following the fiscal year in which it is earned.

All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract in which it is earned.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fifth of accrued, but unused sick leave credit to a maximum of 45 days for all employees. Directors with two years experience with the Educational Service Center are eligible to be paid a maximum of 56 days of unused sick leave upon retirement.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. Medical/surgical benefits are provided by United Health Care through Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (See Note 15). The employees' are required to contribute 20 percent of the premiums for medical/surgical benefits.

**C. Pick-Up of Employees' Share of Retirement**

The Educational Service Center contributes 14 percent of the employee wages to the State Teachers' Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS). The remaining 10 percent is paid by the employee with the exception of fully paid retirement for the Superintendent, Treasurer, and selected administrators as defined by their respective contracts.

**NOTE 12 - CAPITAL LEASES - LESSEE DISCLOSURE**

In July 2007, the Educational Service Center entered into an agreement with the Clark County Board of County Commissioners for the lease-purchase of certain property to use for administrative offices and operational space. The agreement called for an initial payment of \$60,000 in September 2007, and quarterly payments of \$17,333 for a period of six years, with no provision for interest. The total consideration paid for the property was \$476,000 with ownership of the property being conveyed to the Educational Service Center after completion of all payments. In addition, during the year and in prior years, the Educational Service Center entered into various capitalized leases for the purchase of equipment. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. This lease agreement is reported in the General Fund as other financing source; inception of capital lease.

The capital assets acquired by lease have been capitalized in the statement of net assets totaling \$476,000 and \$75,417 for buildings and equipment, respectively, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability is reported on the statement of net assets. Principal payments in fiscal year 2011 totaled \$71,377.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

	Fiscal Year <u>Ending June 30,</u>	
	2012	70,960
	2013	70,147
	2014	<u>34,668</u>
Total Minimum Lease Payments		175,775
Less: Amount Representing Interest		-
Present Value of Minimum Lease Payments		<u>\$ 175,775</u>

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2011 were as follows:

	Balance 7/1/2010	Increase	Decrease	Balance 6/30/2011	Due within One Year
Compensated Absences	\$ 106,457	\$ 78,588	\$ 15,969	\$ 169,076	\$ 19,070
Capital Lease Obligations	<u>247,152</u>	<u>-</u>	<u>71,377</u>	<u>175,775</u>	<u>70,960</u>
Total Long-Term Obligations	<u>\$ 353,609</u>	<u>\$ 78,588</u>	<u>\$ 87,346</u>	<u>\$ 344,851</u>	<u>\$ 90,030</u>

Compensated absences will be paid from the funds from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

**NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS**

*Miami Valley Educational Computer Association*

The Educational Service Center is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The 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 governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$29,170 for services provided during the year. Financial information can be obtained from Dean Reineke, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

*Southwestern Ohio Educational Purchasing Cooperative*

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2011, the Educational Service Center paid \$300 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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### *Clark County Family and Children First Council*

The Clark County Family and Children First Council (the Council) is a voluntary association established to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of each of the members of the Council. The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Educational Service Center paid \$4,875 to the Clark County Family and Children First Council during fiscal year 2011. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Charles Patterson, who serves as Treasurer, at 1345 Lagonda Road, Springfield, Ohio 45502.

### *Springfield-Clark County Career Technology Center*

The Springfield-Clark County Career Technology Center (the Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Educational Service Center. One member is appointed from the Springfield City School District. To obtain financial information, write to the Springfield-Clark County Career Technology Center, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4329.

### *Southwestern Ohio Instructional Technology Association*

The Southwestern Ohio Instructional Technology Association (SOITA) is a non-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the 2011 fiscal year, the Educational Service Center paid \$850 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as the Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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**NOTE 15 – INSURANCE PURCHASING POOLS**

*Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan*

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP). The GRP’s business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

*Southwestern Ohio Educational Purchasing Council Medical Benefits Plan*

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP’s business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

*Schools of Ohio Risk Sharing Authority*

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA) a risk sharing insurance pool. The pool consists of seventy-six school districts and educational services centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery and public official liability coverage. The Educational Service Center pays an annual premium to SORSA for this coverage. There is no deductible associated with claims for all types of coverage. The self-insured retention by SORSA is \$100,000 for property and automobile physical damage and \$250,000 for third-party liability. Reinsurance is purchased to cover claims exceeding these amounts and for all claims related to equipment breakdown coverage.

**NOTE 16 - INTERFUND ACTIVITY**

Interfund transactions at June 30, 2011, consisted of the following:

	Interfund <u>Payable</u>	Interfund <u>Receivable</u>
General Fund	\$ -	25,593
Other Governmental Funds	<u>25,593</u>	<u>-</u>
	\$ <u>25,593</u>	<u>25,593</u>

During fiscal year 2011, the School District advanced \$25,593 from the General Fund to the following grant funds in order to cover cash until the grants were reimbursed: Parent Mentor Grant (\$910) and to the Back to History Grant (\$24,683).

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

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**NOTE 17 - CONTINGENCIES**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2011.

**NOTE 18 – DEFICIT FUND BALANCE**

At June 30, 2011 the following non-major special revenues funds reported deficit fund balances: Parent Mentor Services grant (\$4,680), Preschool grant (\$1,017), and Back to History grant (\$2). The deficits in these funds occurred due to the recognition of certain liabilities for which funding has not yet been provided. Management expects having necessary resources available when the obligations become due in the subsequent fiscal year. The general fund is liable for any deficit in any other fund and provides operating transfers or advances when cash is required, not when accruals occur.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER**  
**CLARK COUNTY, OHIO**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Non-GAAP) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>				
Tuition and Fees			\$ 3,941,029	
Intergovernmental			1,950,532	
Charges for Services			38,450	
Interest			2,480	
Miscellaneous			<u>61,932</u>	
<i>Total Revenues</i>			<u>5,994,423</u>	
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular Instruction	\$ 132	\$ 132	126	\$ 6
Special Instruction	1,474,694	1,474,694	1,408,204	66,490
Vocational Instruction	58,639	58,639	55,979	2,660
Other Instruction	59,418	59,418	56,507	2,911
Support Services:				
Pupils	1,567,627	1,567,627	1,509,085	58,542
Instructional Staff	2,030,401	2,030,401	2,041,790	(11,389)
Board of Education	21,651	21,651	21,460	191
Administration:	632,919	632,919	626,443	6,476
Fiscal	219,741	219,741	220,073	(332)
Business	11,704	11,704	13,781	(2,077)
Operation and Maintenance of Plant	130,502	130,502	131,680	(1,178)
Central	<u>54,908</u>	<u>54,908</u>	<u>55,958</u>	<u>(1,050)</u>
<i>Total Expenditures</i>	<u>6,262,336</u>	<u>6,262,336</u>	<u>6,141,086</u>	<u>121,250</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,262,336)</u>	<u>(6,262,336)</u>	<u>(146,663)</u>	
<b><u>Other Financing Sources (Uses):</u></b>				
Refund of Prior Year Expenditures			33,733	
Transfers In			6,803	
Advances In			190,832	
Transfers Out	(22,830)	(22,830)	(1,410)	21,420
Advances Out	<u>(95,586)</u>	<u>(95,586)</u>	<u>(46,179)</u>	<u>49,407</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (118,416)</u>	<u>\$ (118,416)</u>	<u>183,779</u>	<u>70,827</u>
Net Change in Fund Balance			37,116	
Fund Balance, Beginning of Year			1,597,422	
Prior Year Encumbrances Appropriated			<u>180,753</u>	
Fund Balance, End of Year			<u>\$ 1,815,291</u>	

See accompanying notes to the supplementary information.

## CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2011

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### Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures are recognized in the accounts. The Educational Service Center recognizes transactions when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Unencumbered fund balance is available for appropriation in the following fiscal year and therefore fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the Educational Service Center's year-end basic financial statements. Under that basis of accounting, expenses are generally recognized when the Educational Service Center becomes eligible to receive the revenue; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

### General Budget Policies

The Educational Service Center is not required to follow the budgetary provisions set forth in Ohio Rev. Code Section 5705 as it does not have local tax levies. However, the Governing Board annually adopts an expenditure budget which sets the spending authority, or appropriations, at the individual fund level, for the ensuing year. The Governing Board does not budget revenues.

The primary level of budget control established by the Governing Board is at the fund level. Any budgetary modifications below this amount may be made by management. Any changes in the total appropriations of a fund must be approved by resolution of the Governing Board. During fiscal year 2011 there were three modifications to the permanent appropriation budget approved by the Governing Board. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts.

As part of budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriation and becomes subject to future appropriation. Encumbrance appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund presented as supplementary information 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 as follows:

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



**CLARK COUNTY EDUCATIONAL SERVICE CENTER**

Clark County, Ohio

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2011

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2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis).
4. Other financing sources and uses (transfers and advances) are treated as cash inflows and outflows on the budget basis rather than accruals and/or revenues and expenses on the GAAP basis.

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ 242,669
Revenue Accruals	(170,968)
Expenditure Accruals	(32,788)
Encumbrances	(185,576)
Net Transfers	5,393
Net Advances	144,653
Other Financing Sources	<u>33,733</u>
Budget Basis	<u>\$ 37,116</u>

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# 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

Clark County Educational Service Center  
Clark County  
25 West Pleasant Street  
Springfield, OH 45506

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Clark County Educational Service Center, Clark County, (the Service Center) as of and for the year ended June 30, 2011, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated April 19, 2012, wherein we noted the Service Center adopted the provision of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-02 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We did note certain matters not requiring inclusion in this report that we reported to the Service Center's management in a separate letter dated April 19, 2012.

The Service Center's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Service Center's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

April 19, 2012

CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2011

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

FINDING NUMBER 2011-01

**Noncompliance**

**Ohio Rev. Code §117.38** requires GAAP (Generally Accepted Accounting Principles) basis entities such as educational service centers to file annual financial reports within 150 days of fiscal year end.

The Clark County Educational Service Center filed their annual financial report on February 23, 2012 which is almost three months past the due date. Failure to file an annual report could be a symptom of an inadequate accounting system, inadequate training of personnel in understanding the accounting and reporting process, un-posted or un-reconciled records or other significant issues affecting the control environment, which may even indicate fraud. Our audit procedures determined that the Educational Service Center had inadequate training of personnel in the understanding of the reporting process and un-reconciled records affecting the control environment that contributed to this issue.

The Educational Service Center should implement procedures such as the training of personnel in the understanding of the reporting process and reconciling records in a timely manner to help prevent the late filing of the annual GAAP statements. The timely release of financial statements helps provide management and users with information necessary to make informed decisions.

**Officials' Response:**

The Clark County Educational Service Center understands the requirements of Ohio Rev. Code 117.38 and will take proper steps to ensure compliance in the future.

FINDING NUMBER 2011-02

**Significant Deficiency - Budgetary Presentation**

Budgetary presentations require that the Service Center report budgetary expenditures, which are actual expenditures plus outstanding encumbrances at fiscal year end. The budgetary expenditures are compared to the appropriations plus prior year encumbrances which informs the reader of results of the Service Centers' projected expenditures versus actual.

The Service Center did not include encumbrances with the budgetary expenditures on its budget to actual schedule resulting in understated expenditures and overstated fund balance in the amount of \$185,576. The schedule has been adjusted to account for this error.

The failure of the Service Center to properly present expenditures on the budgetary presentation could cause the readers of the schedule, including the Service Center, to misinterpret the results and fund balance of the general fund. Furthermore, the Service Center could incorrectly budget amounts in future budget periods.

To more accurately reflect the results of operations and the budgetary cash balance on the budget to actual schedule, the Service Center should develop procedures to ensure that encumbrances are included on the budgetary presentation.

**Officials' Response:**

The Clark County Educational Service Center will develop procedures to ensure that encumbrances are included on the budgetary presentation.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER  
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	The Service Center reported an agency fund that should have been reported as a special revenue fund.	Yes	



# Dave Yost • Auditor of State

CLARK COUNTY EDUCATIONAL SERVICE CENTER

CLARK 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  
MAY 29, 2012