



Dave Yost • Auditor of State



**OHIO VALLEY EDUCATIONAL SERVICE CENTER  
GUERNSEY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Ohio Valley Educational Service Center  
Guernsey County  
128 East 8<sup>th</sup> Street  
Cambridge, Ohio 43725

To the Governing Board:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2012, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Dave Yost**  
Auditor of State

January 23, 2012

## Ohio Valley Educational Service Center, Ohio

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

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

### **Financial Highlights**

Key financial highlights for the fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$1,857 which represents less than a one percent decrease from the prior fiscal year ending net assets.
- General revenues accounted for \$671,359 in revenue or 8 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$7,872,475 or 92 percent of total revenues of \$8,543,834.
- The Educational Service Center had \$8,545,691 in expenses related to governmental activities; \$7,872,475 of these expenses was offset by program specific charges for services, grants, and contributions. General revenues of \$671,359 were not adequate to provide for the remainder of these activities.
- The Educational Service Center's major fund is the General Fund. The General Fund had \$8,338,816 in revenues, \$7,922,096 in expenditures and \$48,855 in other financing sources and uses. The General Fund's balance increased \$367,865.

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

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

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

## Ohio Valley Educational Service Center, Ohio

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

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

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

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

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

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

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

#### **Fund Financial Statements**

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

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

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



## Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

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### The Educational Service Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole. Table I provides a summary of the Educational Service Center's net assets for 2010 compared to 2009.

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

	<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$2,307,878	\$2,465,384	(\$157,506)
Capital Assets	503,085	523,362	(20,277)
Total Assets	<u>2,810,963</u>	<u>2,988,746</u>	<u>(177,783)</u>
<b>Liabilities</b>			
Long-Term Liabilities	682,916	692,725	(9,809)
Other Liabilities	<u>1,058,337</u>	<u>1,224,454</u>	<u>(166,117)</u>
Total Liabilities	<u>1,741,253</u>	<u>1,917,179</u>	<u>(175,926)</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	224,401	225,729	(1,328)
Restricted for Other Purposes	228,119	126,027	102,092
Restricted for Unclaimed Monies	28,270	30,485	(2,215)
Unrestricted	<u>588,920</u>	<u>689,326</u>	<u>(100,406)</u>
<b>Total Net Assets</b>	<u>\$1,069,710</u>	<u>\$1,071,567</u>	<u>(\$1,857)</u>

Total assets decreased \$177,783. The majority of the decrease was due to a decrease in intergovernmental receivable due to the elimination of the CAFS program. Intergovernmental receivable decreased \$396,188. Cash with fiscal agents decreased \$60,344. These decreases were offset by an increase in cash and cash equivalents in the amount of \$306,385.

Total liabilities decreased \$175,926. The majority of this decrease was due to a decrease in accrued wages and benefits in the amount of \$86,867. In addition, accounts payable, intergovernmental payable and claims payable all decreased \$18,006, \$27,890 and \$33,591, respectively. Long-Term Liabilities decreased \$9,809 due to debt payments made during the fiscal year.

**Ohio Valley Educational Service Center, Ohio**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010.

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

	Governmental Activities		Change
	2010	2009	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$5,835,197	\$6,790,087	(\$954,890)
Operating Grants and Contributions	2,037,278	2,259,374	(222,096)
Total Program Revenues	<u>7,872,475</u>	<u>9,049,461</u>	<u>(1,176,986)</u>
General Revenues			
Grants and Entitlements	615,553	866,804	(251,251)
Investment Earnings	10,464	15,264	(4,800)
Miscellaneous	45,342	21,859	23,483
Total General Revenues	<u>671,359</u>	<u>903,927</u>	<u>(232,568)</u>
Total Revenues	<u>8,543,834</u>	<u>9,953,388</u>	<u>(1,409,554)</u>
<b>Program Expenses</b>			
Instruction			
Regular	224,746	888,751	(664,005)
Special	2,236,619	2,248,826	(12,207)
Special - Intergovernmental	211,115	140,765	70,350
Adult/Continuing	42,003	40,802	1,201
Intervention	1,830	63,802	(61,972)
Support Services			
Pupils	1,936,879	1,888,762	48,117
Instructional Staff	2,507,622	2,689,408	(181,786)
Board of Education	43,159	49,803	(6,644)
Administration	878,374	986,178	(107,804)
Fiscal	275,666	448,798	(173,132)
Operation and Maintenance of Plant	90,624	99,819	(9,195)
Pupil Transportation	12,806	17,941	(5,135)
Central	10,833	6,315	4,518
Operation of Non-Instructional Services	3,649	3,829	(180)
Extracurricular Activities	53,711	53,974	(263)
Interest	16,055	16,572	(517)
Total Expenses	<u>8,545,691</u>	<u>9,644,345</u>	<u>(1,098,654)</u>
<b>Change in Net Assets</b>	(1,857)	309,043	(310,900)
Net Assets Beginning of Year	<u>1,071,567</u>	<u>762,524</u>	<u>309,043</u>
Net Assets End of Year	<u>\$1,069,710</u>	<u>\$1,071,567</u>	<u>(\$1,857)</u>

## Ohio Valley Educational Service Center, Ohio

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2010*

Unaudited

During fiscal year 2010, the Educational Service Center's net assets decreased \$1,857. This slight change in net assets is due to the Educational Service Center's expenses declining due to providing fewer services to its districts during these tough economic times. This is mostly attributable to a decrease in charges for services revenue in the amount of \$954,890. This decrease is attributable to decreased contracts for services between the Educational Service Center and its participating districts. The Educational Service Center saw a decrease in operating grants and contributions despite stimulus grant monies. This is mostly attributable to the elimination of the CAFS program and Early Learning Initiative funding from the state. Operating grants and contributions decreased \$222,096. Overall expenses of the Educational Service center decreased \$1,098,654.

Instruction comprises approximately 31.8 percent of governmental program expenses. Overall expenses of the Educational Service center decreased \$1,098,654. The majority of the decrease was attributed to a decrease in regular instruction in the amount of \$664,005. This was due to the elimination of the Early Learning Initiative program due to the state discontinuing the funding for that program.

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

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

	2010 Total Cost of Services	2010 Net Cost of Services	2009 Total Cost of Services	2009 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$224,746	(\$384,143)	\$888,751	\$86,661
Special	2,236,619	101,736	2,248,826	(808,714)
Special - Intergovernmental	211,115	(43,029)	140,765	22,322
Adult/Continuing	42,003	23,306	40,802	17,435
Intervention	1,830	1,830	63,802	274
Support Services:				
Pupil	1,936,879	484,235	1,888,762	60,220
Instructional Staff	2,507,622	740,021	2,689,408	927,144
Board of Education	43,159	22,909	49,803	25,739
Administration	878,374	(414,313)	986,178	70,861
Fiscal	275,666	35,386	448,798	194,663
Operation and Maintenance of Plant	90,624	46,179	99,819	(57,117)
Pupil Transportation	12,806	4,541	17,941	11,426
Central	10,833	7,804	6,315	(186)
Operation of Non-Instructional Services	3,649	1,371	3,829	1,667
Extracurricular Activities	53,711	29,328	53,974	25,917
Interest and Fiscal Charges	16,055	16,055	16,572	16,572
<b>Totals</b>	<b>\$8,545,691</b>	<b>\$673,216</b>	<b>\$9,644,345</b>	<b>\$594,884</b>

# Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Instruction programs comprise approximately 32 percent of total governmental program expenses, support services comprise approximately 67 percent of total governmental program expenses, and operation of non-instructional services, extracurricular activities, and interest expenses combined comprise approximately 1 percent of total governmental program expenses. Of the instruction expenses, approximately 82 percent is for special instruction. Of the support services expenses, approximately 34 percent is for pupils, 44 percent for instructional staff, and 15 percent for administration.

## The Educational Service Center's Major Fund

The Education Service Center has one major fund: the General Fund. The Educational Service Center's major fund is accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$8,338,816, expenditures of \$7,922,096 and other financing uses of \$48,855. The General Fund had a decrease in assets of \$166,636, which was mainly due to a decrease in intergovernmental receivable, and a decrease in liabilities of \$534,501, which was mainly due to a decrease in accrued wages and deferred revenue. The General Fund had an increase in fund balance in the amount of \$367,865.

## Budgeting Highlights

Under Ohio law, Educational Service Centers are no longer required to prepare a budget. Therefore, at June 30, 2010, a budgetary statement is not presented within the basic financial statements because the Board did not approve estimated revenues or adopt appropriations.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal year 2010, the School District had \$503,085 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2010 balances compared to 2009.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2010	2009
Land	\$100,344	\$100,344
Land Improvements	\$2,402	\$2,655
Buildings	364,349	375,601
Machinery, Equipment Furniture, and Fixtures	35,990	44,762
Totals	<u>\$503,085</u>	<u>\$523,362</u>

See Note 8 for more information on Capital Assets.

## Ohio Valley Educational Service Center, Ohio

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

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### Debt

At June 30, 2010, the School District had the following debt outstanding:

Table 5  
Outstanding Debt at Fiscal Year End

	Governmental Activities	
	2010	2009
Building Note	\$222,632	\$231,375
Building Improvement Note	33,786	38,352
Capital Leases	22,266	27,906
	<u>\$278,684</u>	<u>\$297,633</u>

See Notes 13 and 14 for more information on debt.

### Economic Factors

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

Other significant revenue sources for the Educational Service Center are state foundation payments and grants. Existing contracts with the Educational Service Center's districts, as well as the Educational Service Center's cash balance, will provide the Educational Service Center with the necessary funds to operate during fiscal year 2011. However, the financial health of the Educational Service Center presents certain challenges. The Educational Service Center's state funding has been frozen at \$40.52 per pupil since fiscal year 2000. The center relies on the \$40.52 per pupil to support fiscal and administrative costs. Additional cuts to Educational Service Center state funding is anticipated during fiscal year 2011.

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

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

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**Ohio Valley Educational Service Center, Ohio**

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,710,051
Cash and Cash Equivalents with Fiscal Agents	245,615
Accounts Receivable	6,428
Intergovernmental Receivable	337,100
Prepaid Items	8,684
Non-Depreciable Capital Assets	100,344
Depreciable Capital Assets, Net	<u>402,741</u>
Total Assets	<u>2,810,963</u>
<b>Liabilities</b>	
Accounts Payable	20,793
Accrued Wages and Benefits Payable	656,778
Intergovernmental Payable	153,018
Claims Payable	222,748
Judgments Payable	5,000
Long-Term Liabilities:	
Due Within One Year	144,627
Due in More Than One Year	<u>538,289</u>
Total Liabilities	<u>1,741,253</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	224,401
Restricted for Other Purposes	228,119
Restricted for Unclaimed Monies	28,270
Unrestricted	<u>588,920</u>
Total Net Assets	<u><u>\$1,069,710</u></u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2010*

	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$224,746	\$565,130	\$43,759	\$384,143
Special	2,236,619	1,406,486	728,397	(101,736)
Special - Intergovernmental	211,115	0	254,144	43,029
Adult/Continuing	42,003	18,697	0	(23,306)
Student Intervention Services	1,830	0	0	(1,830)
Support Services:				
Pupils	1,936,879	1,030,929	421,715	(484,235)
Instructional Staff	2,507,622	1,345,951	421,650	(740,021)
Board of Education	43,159	20,250	0	(22,909)
Administration	878,374	1,131,077	161,610	414,313
Fiscal	275,666	238,730	1,550	(35,386)
Operation and Maintenance of Plant	90,624	43,233	1,212	(46,179)
Pupil Transportation	12,806	8,265	0	(4,541)
Central	10,833	413	2,616	(7,804)
Operation of Non-Instructional Services	3,649	1,653	625	(1,371)
Extracurricular Activities	53,711	24,383	0	(29,328)
Interest	16,055	0	0	(16,055)
<b>Total Governmental Activities</b>	<b>\$8,545,691</b>	<b>\$5,835,197</b>	<b>\$2,037,278</b>	<b>(673,216)</b>
<b>General Revenues</b>				
Grants and Entitlements not Restricted to				
				615,553
				10,464
				45,342
<b>Total General Revenues</b>				<b>671,359</b>
				(1,857)
				1,071,567
				<b>\$1,069,710</b>

See accompanying notes to the basic financial statements



**Ohio Valley Educational Service Center, Ohio**

*Balance Sheet*

*Governmental Funds*

*June 30, 2010*

	General	Governmental Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,552,031	\$129,750	\$1,681,781
Accounts Receivable	3,564	2,864	6,428
Interfund Receivable	428	0	428
Intergovernmental Receivable	220,894	116,206	337,100
Prepaid Items	4,908	3,776	8,684
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	28,270	0	28,270
<b>Total Assets</b>	<u>\$1,810,095</u>	<u>\$252,596</u>	<u>\$2,062,691</u>
<b>Liabilities</b>			
Accounts Payable	\$19,643	\$1,150	\$20,793
Accrued Wages and Benefits Payable	636,689	20,089	656,778
Interfund Payable	0	428	428
Intergovernmental Payable	145,449	7,569	153,018
Deferred Revenue	1,897	101,855	103,752
Judgments Payable	5,000	0	5,000
<b>Total Liabilities</b>	<u>808,678</u>	<u>131,091</u>	<u>939,769</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	6,205	3,032	9,237
Reserved for Unclaimed Monies	28,270	0	28,270
Unreserved, Undesignated Reported in:			
General Fund	966,942	0	966,942
Special Revenue Funds	0	118,473	118,473
<b>Total Fund Balances</b>	<u>1,001,417</u>	<u>121,505</u>	<u>1,122,922</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$1,810,095</u>	<u>\$252,596</u>	<u>\$2,062,691</u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
*Reconciliation of Total Governmental Fund Balances To*  
*Net Assets of Governmental Activities*  
*June 30, 2010*

<b>Total Governmental Fund Balances</b>		<b>\$1,122,922</b>
 <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 are not reported in the funds.		503,085
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Grants	100,089	
Tuition	150	
Contract Services	3,117	
Miscellaneous Revenue	<u>396</u>	103,752
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases	(22,266)	
2007 Building Note	(222,632)	
2007 Building Improvement Note	(33,786)	
Compensated Absences Payable	<u>(404,232)</u>	(682,916)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		<u>22,867</u>
Net Assets of Governmental Activities		<u><u>\$1,069,710</u></u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Intergovernmental	\$2,358,113	\$423,321	\$2,781,434
Interest	2,256	0	2,256
Tuition and Fees	833,312	0	833,312
Rent	32,899	0	32,899
Gifts and Donations	545	0	545
Contract Services	5,080,839	91,467	5,172,306
Miscellaneous	30,852	0	30,852
<b>Total Revenues</b>	<b>8,338,816</b>	<b>514,788</b>	<b>8,853,604</b>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	178,081	53,658	231,739
Special	2,186,075	33,925	2,220,000
Adult/Continuing	40,840	0	40,840
Intervention	0	1,830	1,830
Support Services:			
Pupils	1,908,529	0	1,908,529
Instructional Staff	2,308,821	168,196	2,477,017
Board of Education	36,933	0	36,933
Administration	853,487	11,741	865,228
Fiscal	225,248	43,912	269,160
Operation and Maintenance of Plant	88,914	780	89,694
Pupil Transportation	12,806	0	12,806
Central	444	10,389	10,833
Operation of Non-Instructional Services	3,026	623	3,649
Extracurricular Activities	52,449	990	53,439
Capital Outlay	18,352	0	18,352
Intergovernmental	0	211,115	211,115
Debt Service:			
Principal	5,640	13,309	18,949
Interest	2,451	13,604	16,055
<b>Total Expenditures</b>	<b>7,922,096</b>	<b>564,072</b>	<b>8,486,168</b>
<b>Other Financing Sources (Use)</b>			
Transfers In	0	48,855	48,855
Transfers Out	(48,855)	0	(48,855)
<b>Total Other Financing Sources (Use)</b>	<b>(48,855)</b>	<b>48,855</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>367,865</b>	<b>(429)</b>	<b>367,436</b>
<b>Fund Balances Beginning of Year</b>	<b>633,552</b>	<b>121,934</b>	<b>755,486</b>
<b>Fund Balances End of Year</b>	<b>\$1,001,417</b>	<b>\$121,505</b>	<b>\$1,122,922</b>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

*Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

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**Net Change in Fund Balances - Total Governmental Funds** \$367,436

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

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

This is the amount by which depreciation exceeded capital outlays:

	Capital Asset Additions	17,422	
	Depreciation Expense	<u>(37,699)</u>	(20,277)

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

	Contract Services	(203,170)	
	Intergovernmental	(129,148)	
	Tuition	(150)	
	Miscellaneous	<u>396</u>	(332,072)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 13,309

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 5,640

Expenses from compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (9,140)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. The net change of the internal service fund is reported with governmental activities. (26,753)

Change in Net Assets of Governmental Activities (\$1,857)

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
*Statement of Fund Net Assets*  
*Health Self-Insurance Internal Service Fund*  
*June 30, 2010*

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	Self-Insurance Fund
<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	\$245,615
<b>Current Liabilities</b>	
Claims Payable	222,748
<b>Net Assets</b>	
Unrestricted	\$22,867

See accompanying notes to the basic financial statements

**Ohio Valley Education Service Center, Ohio**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Health Self-Insurance Internal Service Fund*  
*For the Fiscal Year Ended June 30, 2010*

	Self-Insurance Fund
<b>Operating Revenues</b>	
Charges for Services	\$1,099,796
Other Revenues	14,490
Total Operating Revenues	1,114,286
<b>Operating Expenses</b>	
Purchased Services	371,429
Claims	777,818
Total Operating Expenses	1,149,247
Operating Income	(34,961)
<b>Non-Operating Revenue</b>	
Interest	8,208
Change in Net Assets	(26,753)
Net Assets Beginning of Year	49,620
Net Assets End of Year	\$22,867

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

*Statement of Cash Flows*

*Health Self-Insurance Internal Service Fund*

*For the Fiscal Year Ended June 30, 2010*

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	Self-Insurance Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Transactions with Other Funds	\$1,099,796
Other Cash Receipts	14,490
Cash Payments for Goods and Services	(371,429)
Cash Payments for Claims	(811,409)
	<hr/>
Net Cash Provided by Operating Activities	(68,552)
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	8,208
	<hr/>
Net Increase in Cash and Cash Equivalents	(60,344)
Cash and Cash Equivalents Beginning of Year	305,959
	<hr/>
Cash and Cash Equivalents End of Year	<u>\$245,615</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	(\$34,961)
Increase in Claims Payable	(33,591)
	<hr/>
Net Cash Provided by Operating Activities	<u>(\$68,552)</u>
See accompanying notes to the basic financial statements	

**Ohio Valley Educational Service Center, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2010*

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	Private Purpose Trust
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$259,160
<b>Net Assets</b>	
Held in Trust for Scholarships	\$259,160

See accompanying notes to the basic financial statements



**Ohio Valley Educational Service Center, Ohio**

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Fund*

*For the Fiscal Year Ended June 30, 2010*

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	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$1,723
Interest	337
Total Additions	<u>2,060</u>
<b>Deductions</b>	
Scholarships Awarded	<u>3,551</u>
Change in Net Assets	(1,491)
Net Assets Beginning of Year	<u>260,651</u>
Net Assets End of Year	<u><u>\$259,160</u></u>

See accompanying notes to the basic financial statements

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## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

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

The Educational Service Center operates under a locally-elected Board form of government consisting of eleven elected members. Members are elected to staggered four year terms. The Educational Service Center has 116 certificated and 111 non-certificated employees that provide services to the school districts.

#### **Reporting Entity**

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

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

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

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

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

#### **A. Basis of Presentation**

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

#### **Government-wide Financial Statements**

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

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

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### Fund Financial Statements

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

### **B. Fund Accounting**

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

#### Governmental Funds

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

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

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

#### Proprietary Fund Type

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

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

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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### Fiduciary Fund Types

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

### **C. Measurement Focus**

#### Government-wide Financial Statements

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

#### Fund Financial Statements

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

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

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

### **D. Basis of Accounting**

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

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### Revenues - Exchange and Non-exchange Transactions

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

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

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

### Deferred Revenue

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

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

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

### Expenses/Expenditures

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

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

### **E. Budgetary Data**

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

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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### **F. Cash and Cash Equivalents**

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

At fiscal year end 2010, the Educational Service Center had no investments.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$2,256, which includes \$819 assigned from other Educational Service Center funds.

### **G. Prepaid Items**

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

### **H. Capital Assets**

All of the Educational Service Center's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

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



## **Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### **I. Compensated Absences**

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

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

### **J. Accrued Liabilities and Long-term Obligations**

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

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

### **K. Fund Balance Reserves**

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

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

### **L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include state and federal grants restricted to expenditures for specified purposes. The government-wide statement of net assets reports \$256,389 of restricted net assets, of which none are restricted by enabling legislation.

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

## **Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### **M. Interfund Balances/Interfund Transactions**

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

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

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

### **N. Operating Revenues and Expenses**

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

### **O. Estimates**

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

### **P. Flow-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/expenses. For fiscal year 2010, this included the Early Childhood Special Education Grant Special Revenue Fund.

### **NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For 2010, the Educational Service Center has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”; Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, and Statement No. 57, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governmental. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value of their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the Educational Service Center's financial statements.

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

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Educational Service Center's financial statements.

### **NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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Interim monies held by the School District can be deposited or invested in the following securities:

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

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

At June 30, 2010, the Educational Service Center's internal service fund had a balance of \$245,615 with OME-RESA, a jointly governed organization (see Note 15). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the Educational Service Center. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$1,669,477 of the Educational Service Center's bank balance of \$2,175,251 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

**Investments** As of June 30, 2010, the Educational Service Center had no investments.

### **NOTE 5 - STATE AND LOCAL SCHOOL DISTRICT FUNDING**

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

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

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

### **NOTE 6 - RECEIVABLES**

Receivables at June 30, 2010, consisted of contract services and grants. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

**Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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	<u>Amount</u>
<b>Governmental Activities:</b>	
Alternative Education Challenge Grant	\$5,151
Parent Mentor Grant	2,156
Homeless Grant	699
ARRA Homeless Grant	51,255
Early Childhood Special Education Grant	4,025
ARRA Early Childhood Special Education Grant	39,097
Family and Civic Engagement Grant	17,766
Rent	3,182
Contract Services	211,991
COBRA Refund	1,778
Total Intergovernmental Receivable	<u><u>\$337,100</u></u>

**NOTE 7 – INTERFUND TRANSFERS AND BALANCES**

**A. Interfund Transfers**

	<u>Transfers To</u> Other Nonmajor <u>Governmental Funds</u>
<u>Transfers From</u>	
General Fund	<u><u>\$48,855</u></u>

During fiscal year 2010, the General Fund transferred \$26,913 to the Debt Service Fund for payment on the Building Note and Building Improvement Note. The General Fund also transferred \$21,942 to the EMIS fund to cover expenses in excess of the money provided by the State.

**B. Interfund Balances**

	<u>Advance To</u> Other Nonmajor <u>Governmental Funds</u>
<u>Advance From</u>	
General Fund	<u><u>\$428</u></u>

Interfund balances at June 30, 2010, consisted of monies advanced from the General Fund to the Homeless Grant Special Revenue Fund to cover deficit balances at fiscal year end in the amount of \$428.

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

### NOTE 8 - CAPITAL ASSETS

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
<b>Nondepreciable Capital Assets</b>				
Land	\$100,344	\$0	\$0	\$100,344
Total Nondepreciable Assets	<u>100,344</u>	<u>0</u>	<u>0</u>	<u>100,344</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	15,115	0	0	15,115
Buildings	956,683	17,422	0	974,105
Machinery, Equipment, Furniture and Fixtures	61,585	0	0	61,585
Total Capital Assets Being Depreciated	<u>1,033,383</u>	<u>17,422</u>	<u>0</u>	<u>1,050,805</u>
Less Accumulated Depreciation:				
Land Improvements	(12,460)	(253)	0	(12,713)
Buildings	(581,082)	(28,674)	0	(609,756)
Machinery, Equipment, Furniture and Fixtures	(16,823)	(8,772)	0	(25,595)
Total Accumulated Depreciation	<u>(610,365)</u>	<u>(37,699) *</u>	<u>0</u>	<u>(648,064)</u>
Total Capital Assets Being Depreciated, Net	<u>423,018</u>	<u>(20,277)</u>	<u>0</u>	<u>402,741</u>
Governmental Activities Capital Assets, Net	<u>\$523,362</u>	<u>(\$20,277)</u>	<u>\$0</u>	<u>\$503,085</u>

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

Instruction:	
Regular	\$2,163
Special	4,562
Adult/Continuing	430
Support Services:	
Pupils	3,770
Instructional Staff	7,459
Board of Education	6,226
Administration	11,391
Fiscal	1,698
Total Governmental Depreciation	<u>\$37,699</u>

### NOTE 9 - RISK MANAGEMENT

#### A. Insurance

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP (see Note 17).

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

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During fiscal year 2010, the Educational Service Center purchased the following coverage:

### Ohio School Plan

Fleet Insurance:		
Liability	\$1,000,000	any one accident
Educational General Liability:		
General Aggregate Limit	\$3,000,000	
Employee Benefits Liability:		
Aggregate Limit	\$3,000,000	\$2,500 deductible
Employers' Liability:		
Bodily Injury	\$1,000,000	any one accident
Educational Legal Liability:		
Errors and Omissions Aggregate Limit	\$3,000,000	\$2,500 deductible
Employment Practices Injury Aggregate Limit	\$3,000,000	\$2,500 deductible
Declaratory, Equitable, and Injunctive Relief		
Defense Aggregate	\$100,000	\$2,500 deductible
Violence Coverage:		
Plan Aggregate Limit	\$1,000,000	
Building	\$2,775,043	

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

### **B. Workers' Compensation Group Rating Plan**

For fiscal year 2010, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The Educational Service Center pays for 81% of family, employee plus spouse or employee plus child coverage and 82% of single coverage premiums for this insurance. The Educational Service Center is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. The claims liability of \$222,748 reported in the internal service fund at June 30, 2010, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.



**Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2009	\$241,099	\$797,653	\$782,413	\$256,339
2010	256,339	777,818	811,409	222,748

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. All employees can accumulate sick leave days up to a maximum of 240 days. Upon retirement, payment is made for twenty-five percent of the employees' accumulated sick leave with a maximum payment being limited to 45 days.

**B. Other Employee Benefits**

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

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010*

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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$220,265, \$167,564 and \$168,382 respectively; 90.08 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

### ***B. State Teachers Retirement System***

Plan Description - The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

## Ohio Valley Educational Service Center, Ohio

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$523,007, \$590,371, and \$586,994 respectively; 89.59 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$16 made by the Educational Service Center and \$6,055 made by the plan members.

### ***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, two board members are the Educational Service Center's only employees that have elected Social Security. The contribution rate is 6.2 percent of wages.

## **NOTE 12 - POSTEMPLOYMENT BENEFITS**

### **A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800

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

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$26,611, \$77,681, and \$80,055 respectively; 23.46 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,687, \$14,001, and \$12,175 respectively; 89.75 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

### **B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$40,231, \$45,411, and \$45,153 respectively; 89.59 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

### **NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during the fiscal year 2010 were as follows:

	Outstanding 06/30/09	Additions	Deductions	Outstanding 06/30/10	Amount Due Within One Year
<b>Governmental Activities</b>					
2007 Building Note - 5.1%	\$231,375	\$0	\$8,743	\$222,632	\$9,194
2007 Building - 5.1% Improvement Note	38,352	0	4,566	33,786	4,783
Capital Leases Payable	27,906	0	5,640	22,266	6,210
Compensated Absences	395,092	132,130	122,990	404,232	124,440
Total Governmental Long-Term Liabilities	<u>\$692,725</u>	<u>\$132,130</u>	<u>\$141,939</u>	<u>\$682,916</u>	<u>\$144,627</u>

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

The 2007 building note was issued in the amount of \$255,000 for the purchase of an administration building. The 2007 building improvement note was issued in the amount of \$50,000 for making improvements to the administration building.

**Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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Principal and interest requirements to retire the Building Note outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$9,194	\$11,299	\$20,493
2012	9,650	10,842	20,492
2013	10,192	10,301	20,493
2014	10,731	9,762	20,493
2015	11,299	9,194	20,493
2016	171,566	8,641	180,207
Totals	<u>\$222,632</u>	<u>\$60,039</u>	<u>\$282,671</u>

Principal and interest requirements to retire the Building Improvement Note outstanding at June 30, 2010 are as follows:

Fiscal Year	Principal	Interest	Total
2011	\$4,783	\$1,638	\$6,421
2012	5,032	1,388	6,420
2013	5,302	1,118	6,420
2014	5,583	837	6,420
2015	5,879	541	6,420
2016-2017	7,207	284	7,491
Totals	<u>\$33,786</u>	<u>\$5,806</u>	<u>\$39,592</u>

**NOTE 14 – CAPITAL LEASES**

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

Actual principal payments in fiscal year 2010 totaled \$5,640. The equipment was originally capitalized in the amount of \$31,984, the present value of the minimum lease payments at the inception of the leases. The accumulated depreciation as of June 30, 2010 was \$11,436 and the book value was \$20,548.

**Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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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, 2010:

Fiscal Year	Amount
2011	\$8,091
2012	8,091
2013	8,091
2014	1,718
Total Minimum Lease Payments	25,991
Less: Amount Representing Interest	(3,725)
Present Value of Minimum Lease Payments	<u>\$22,266</u>

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

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

OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA includes school districts from 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The Educational Service Center's payment for computer services to OME-RESA in fiscal year 2010 was \$16,807. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**B. Coalition of Rural and Appalachian Schools (CORAS)**

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$325 for fiscal year 2010.

## **Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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### **C. Ohio Coalition of Equity and Adequacy of School Funding**

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2010, the Educational Service Center paid \$1,000 to the Coalition. Financial information can be obtained by contacting the Coalition's fiscal agent, Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville, Ohio 43701-3709.

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

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

**Ohio Valley Educational Service Center, Ohio**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2010*

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**NOTE 17 - INSURANCE PURCHASING POOLS**

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

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Educational Service Center's enrollment fee for fiscal year 2010 was \$740.

**B. Ohio School Plan (OSP)**

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

**NOTE 18- CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The Educational Service Center is currently a party to legal proceedings. This case was settled out of court on July 23, 2010. The Educational Service Center paid \$5,000 directly to the plaintiff. \$9,000 was also paid to the plaintiff by the Ohio Bureau of Workers' Compensation, which will be reflected in the claims experience of the Educational Service Center for purposes of calculating its annual premiums.





# 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*

Ohio Valley Educational Service Center  
Guernsey County  
128 East 8<sup>th</sup> Street  
Cambridge, Ohio 43725

To the Governing Board:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Ohio Valley Educational Service Center, Guernsey County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2010, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A 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 Educational Service Center's financial statements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

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

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Ohio Valley Educational Service Center  
Guernsey County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
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We intend this report solely for the information and use of management, the audit committee, the Board of Education and pass-through entities and others within the Educational Service Center. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 23, 2012



# Dave Yost • Auditor of State

OHIO VALLEY EDUCATIONAL SERVICE CENTER

GUERNSEY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 9, 2012