COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, Ohio 44432

To the Board of Education:

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

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

The Educational Service Center has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof 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 20, 2010, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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

We conducted our audit to opine on the financial statements that collectively comprise the Service Center's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 20, 2010

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

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

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets of governmental activities decreased $333,052 from $618,840 to $285,788 which represents a 53.82% decrease from 2008.

- General revenues accounted for $485,939 in revenue or 5.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $9,196,918 or 94.98% of total revenues of $9,682,857.

- The Center had $10,015,909 in expenses related to governmental activities; $9,196,918 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of $485,939 were not adequate to provide for these programs.

- The Center's only major governmental fund is the general fund. The general fund had $8,890,817 in revenues and other financing sources and $8,515,089 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased $375,728 from $96,335 to $472,063.

Using these Basic Financial Statements

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

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

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

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

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

In the statement of net assets and the statement of activities, the Governmental Activities include the Center's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

The Center's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Proprietary Fund

The Center maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Center's various functions. The Center's internal service funds account for medical/surgical and dental self-insurance, and a computer maintenance program. The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Reporting the Center's Fiduciary Responsibilities

The Center acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The Center's fiduciary activities are reported in a separate statement of fiduciary net assets on page 22. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-44 of this report.

Supplementary Information

The Center has presented a budgetary comparison schedule for the general fund as supplementary information on pages 45-47 of this report.

The Center as a Whole

Recall that the statement of net assets provides the perspective of the Center as a whole. A comparative analysis has been provided below.

The table below provides a summary of the Center's net assets at June 30, 2009 and June 30, 2008.

Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Assets		
Current and other assets	$ 1,826,739	$ 1,879,847
Capital assets, net	692,454	735,876
Total assets	2,519,193	2,615,723
Liabilities		
Current liabilities	1,280,950	1,112,666
Long-term liabilities	952,455	884,217
Total liabilities	2,233,405	1,996,883
Net Assets		
Invested in capital assets, net of related debt	247,540	297,306
Restricted	1,727	152,825
Unrestricted	36,521	168,709
Total net assets	$ 285,788	$ 618,840

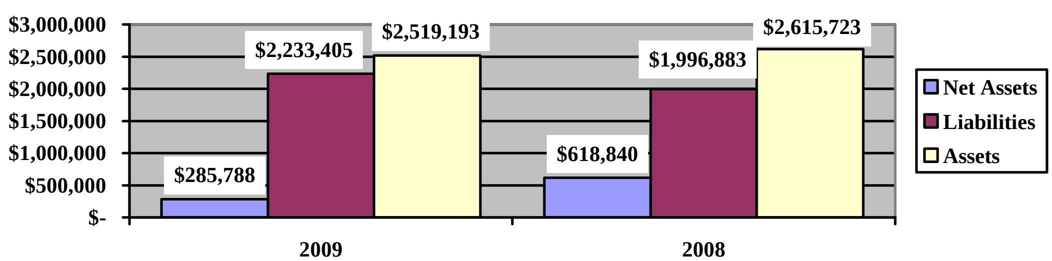
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Center's assets exceeded liabilities by $285,788. Of this total, $36,521 is unrestricted in use.

At year-end, capital assets represented 27.49% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were $247,540. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net assets, $1,727, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $36,521 may be used to meet the Center's ongoing obligations to the students and creditors.

The table below illustrates the Center's assets, liabilities and net assets at June 30, 2009 and June 30, 2008:

Governmental Activities



The table below shows the change in net assets for fiscal years 2009 and 2008. Intergovernmental pass-through expenditures for fiscal year 2008 have been reclassified to the special instruction expense to conform to fiscal year 2009 presentation.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	$ 7,349,869	$ 6,258,385
Operating grants and contributions	1,843,971	2,116,775
Capital grants and contributions	3,078	1,334
General revenues:		
Grants and entitlements	480,989	587,931
Investment earnings	2,827	33,339
Other	2,123	130,632
Total revenues	9,682,857	9,128,396

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Expenses		
Program expenses:		
Instruction:		
Regular	$ 692,405	$ 660,202
Special	2,213,866	1,977,232
Other	-	1,500
Support services:		
Pupil	2,314,720	2,216,033
Instructional staff	3,041,371	2,732,455
Board of education	29,842	32,342
Administration	385,941	402,224
Fiscal	203,328	179,548
Operations and maintenance	129,302	136,490
Pupil transportation	572,874	594,327
Central	315,299	402,093
Operation of non-instructional services:		
Other non-instructional services	98,745	2,734
Interest and fiscal charges	18,216	19,930
Total expenses	10,015,909	9,357,110
Change in net assets	(333,052)	(228,714)
Net assets at beginning of year	618,840	847,554
Net assets at end of year	$ 285,788	$ 618,840

Governmental Activities

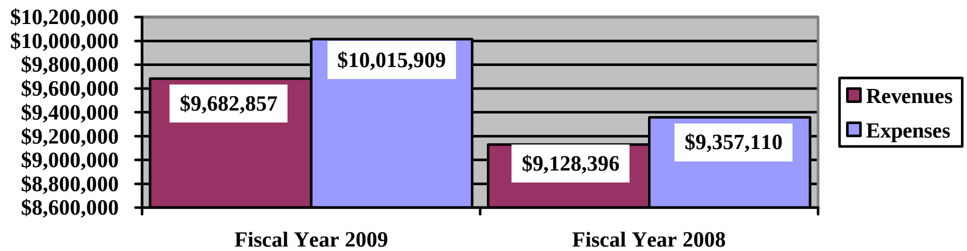
Net assets of the Center's governmental activities decreased $333,052. Total governmental expenses of $10,015,909 were offset by program revenues of $9,196,918 and general revenues of $485,939. Program revenues supported 91.82% of the total governmental expenses.

The primary source of revenue for governmental activities is derived from charges for services. This revenue source represents 75.91% of total governmental revenue.

The largest expense of the Center is for instructional staff support services programs. Instructional staff support services expenses totaled $3,041,371 or 30.37% of total governmental expenses for fiscal year 2009.

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

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2009 and 2008. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements. Intergovernmental pass-through expenditures for fiscal year 2008 have been reclassified to the special instruction expense to conform to fiscal year 2009 presentation.

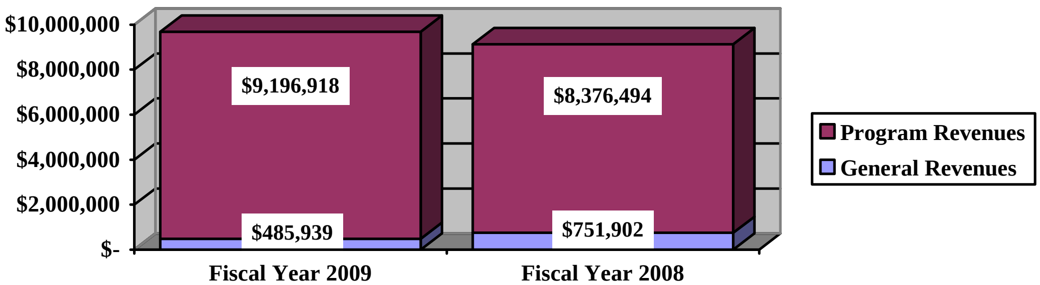
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	$ 692,405	$ 557,575	$ 660,202	$ 333,319
Special	2,213,866	(412,787)	1,977,232	(502,566)
Other	-	-	1,500	296
Support services:				
Pupil	2,314,720	111,254	2,216,033	339,419
Instructional staff	3,041,371	210,758	2,732,455	376,052
Board of education	29,842	29,842	32,342	32,342
Administration	385,941	8,556	402,224	79,024
Fiscal	203,328	195,920	179,548	166,422
Operations and maintenance	129,302	129,187	136,490	136,490
Pupil transportation	572,874	(118,499)	594,327	(52,699)
Central	315,299	18,501	402,093	50,829
Operation of non-instructional services:				
Other non-instructional services	98,745	70,468	2,734	1,758
Interest and fiscal charges	18,216	18,216	19,930	19,930
Total expenses	$ 10,015,909	$ 818,991	$ 9,357,110	$ 980,616

For all governmental activities, program revenue support is 91.82% at June 30, 2009 and 89.52% at June 30, 2008. The Center's charges for services, as a whole, are by far the primary support for Center's students.

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

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of $405,876, which is greater than last year's fund balance of $121,514. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and June 30, 2008.

	Fund Balance/(Deficit) June 30, 2009	Fund Balance June 30, 2008	Increase/ (Decrease)	Percentage Change
General	$ 472,063	$ 96,335	$ 375,728	390.02 %
Other Governmental	(66,187)	25,179	(91,366)	362.87 %
Total	$ 405,876	$ 121,514	$ 284,362	234.02 %

General Fund

The Center's general fund balance increased $375,728.

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

	2009 Amount	2008 Amount	Increase/ (Decrease)	Percentage Change
Revenues				
Intergovernmental	$ 1,281,156	$ 1,349,810	$ (68,654)	(5.09) %
Tuition	5,752,896	5,404,789	348,107	6.44 %
Earnings on investments	1,415	12,879	(11,464)	(89.01) %
Services provided to other entities	1,403,112	834,936	568,176	68.05 %
Other revenues	2,238	130,632	(128,394)	(98.29) %
Total	$ 8,440,817	$ 7,733,046	$ 707,771	9.15 %
Expenditures				
Instruction	$ 1,723,926	$ 1,699,416	$ 24,510	1.44 %
Support services	6,293,388	6,418,949	(125,561)	(1.96) %
Non-instructional services	20,246	1,023	19,223	1,879.08 %
Debt service	465,572	100,687	364,885	362.40 %
Total	$ 8,503,132	$ 8,220,075	$ 283,057	3.44 %

The overall revenues of the general fund increased $707,771 or 9.15%. The most significant increases were in the areas of tuition and services provided to other entities. Tuition revenue increased $348,107 or 6.44%. Services provided to other entities revenue increased $568,176 or 68.05%. These increases are mainly attributable to increased services provided by the Center to participating school districts and other entities during fiscal year 2009.

The expenditures of the general fund increased $283,057 or 3.44%. The most significant increase was in the area of debt service. Debt service expenditures increased $364,885 or 362.40%. This increase is the result of the Center retiring a loan payable which had a balloon payment that was made in March of fiscal year 2009.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Center had $692,454 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2009 balances compared to June 30, 2008:

Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2009	2008
Land	$ 61,900	$ 61,900
Land improvements	33,637	616
Building and improvements	493,998	530,477
Furniture and equipment	100,620	130,904
Vehicles	2,299	11,979
Total	$ 692,454	$ 735,876

The overall decrease in capital assets of $43,422 is due to depreciation expense of $79,922 exceeding capital outlays of $36,500 during the fiscal year.

See Note 8 to the basic financial statements for additional information on the Center's capital assets.

Debt Administration

At June 30, 2009, the Center had $444,914 in loans payable outstanding. The amount due within one year is $21,157 and the remaining $423,757 is due in more than one year. The following table summarizes the loans and capital leases outstanding at June 30, 2009 and June 30, 2008.

Outstanding Debt, at Year End

	Governmental Activities 2009	Governmental Activities 2008
Capital lease	$ -	$ 2,365
Loans payable	444,914	436,205
Total	$ 444,914	$ 438,570

During fiscal year 2009, the Center issued a loan payable in the amount of $450,000 that bears an interest rate of 4.80% and matures on March 30, 2016.

See Note 10 to the basic financial statements for additional information on the Center's debt administration.

Current Financial Related Activities

The Center relies heavily on contracts with local, city, and exempted school districts within Columbiana and Mahoning Counties, as well as state foundation revenue, and grants. The request for services from local, city, and exempted school districts, along with the Center's cash balance, will provide the Center with the necessary funds to meet its operating expenses in fiscal year 2010. However, the future financial stability of the Center is not without concerns.

Currently, the legislation regarding Ohio's Regional Education Delivery System and the implementation of that by the Ohio Department of Education is an ongoing process. This system will directly impact the Education Service Centers in Ohio and the method used to fund them. What effect this legislation will have on future state funding and on the Center's financial operations is uncertain at this time.

Declining enrollment in Columbiana County remains a concern of the Center. State funding is based on average daily membership of Columbiana County school districts. Continued decline in enrollment will have a direct impact on state revenues received by Columbiana County school districts and the amount of services they will need from the Center.

Each year, different services are needed by participating school districts. Therefore, the Center is constantly reviewing their program activity to provide services while maintaining a financially solvent operation.

The Center's systems of internal control and procedures are reviewed throughout the year by management to ensure a cost efficient operation.

Contacting the Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Penny Kale, Treasurer, Columbiana County Educational Service Center, 38720 Saltwell Road, Lisbon, Ohio 44432-8303.

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF NET ASSETS
JUNE 30, 2009

		Governmental Activities
Assets:		
Equity in pooled cash and cash equivalents. . .	$	1,088,265
Cash with fiscal agent.		77,907
Receivables:		
Accounts		527,683
Intergovernmental		126,766
Prepayments		3,163
Unamortized note issue costs		2,955
Capital assets:		
Land		61,900
Depreciable capital assets, net		630,554
Total capital assets, net.		692,454
Total assets.		2,519,193
Liabilities:		
Accounts payable.		104,580
Accrued wages and benefits		810,953
Pension obligation payable.		102,057
Intergovernmental payable		68,602
Claims payable.		191,944
Unearned revenue		2,814
Long-term liabilities:		
Due within one year.		145,198
Due within more than one year		807,257
Total liabilities		2,233,405
Net Assets:		
Invested in capital assets, net of related debt.		247,540
Restricted for:		
State funded programs		409
Federally funded programs.		38
Other purposes		1,280
Unrestricted.		36,521
Total net assets	$	285,788

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental activities:					
Instruction:					
Regular	$ 692,405	$ -	$ 134,830	$ -	$ (557,575)
Special	2,213,866	1,307,988	1,318,665	-	412,787
Support services:					
Pupil	2,314,720	2,181,233	22,233	-	(111,254)
Instructional staff	3,041,371	2,655,301	175,312	-	(210,758)
Board of education	29,842	-	-	-	(29,842)
Administration	385,941	377,385	-	-	(8,556)
Fiscal	203,328	-	7,408	-	(195,920)
Operations and maintenance	129,302	115	-	-	(129,187)
Pupil transportation	572,874	539,846	148,449	3,078	118,499
Central	315,299	287,609	9,189	-	(18,501)
Operation of non-instructional services:					
Other non-instructional services	98,745	392	27,885	-	(70,468)
Interest and fiscal charges	18,216	-	-	-	(18,216)
Total governmental activities	$ 10,015,909	$ 7,349,869	$ 1,843,971	$ 3,078	(818,991)

General Revenues:	
Grants and entitlements not restricted to specific programs	480,989
Investment earnings	2,827
Miscellaneous	2,123
Total general revenues	485,939
Change in net assets	(333,052)
Net assets at beginning of year	618,840
Net assets at end of year	$ 285,788

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash			
and cash equivalents	$ 999,697	$ 72,665	$ 1,072,362
Receivables:			
Accounts	527,683	-	527,683
Intergovernmental	-	126,766	126,766
Interfund receivable	92,836	-	92,836
Advances to other funds	16,578	-	16,578
Prepayments	3,163	-	3,163
Total assets	$ 1,639,957	$ 199,431	$ 1,839,388
Liabilities:			
Accounts payable	$ 102,809	$ 1,771	$ 104,580
Accrued wages and benefits	684,662	126,291	810,953
Pension obligation payable	84,780	17,277	102,057
Intergovernmental payable	60,643	7,959	68,602
Interfund payable	-	92,836	92,836
Advances from other funds	-	16,578	16,578
Deferred revenue	234,676	416	235,092
Unearned revenue	324	2,490	2,814
Total liabilities	1,167,894	265,618	1,433,512
Fund Balances:			
Reserved for encumbrances	222,679	1,662	224,341
Reserved for prepayments	3,163	-	3,163
Reserved for advances	16,578	-	16,578
Unreserved, undesignated (deficit), reported in:			
General fund	229,643	-	229,643
Special revenue funds	-	(67,849)	(67,849)
Total fund balances (deficit)	472,063	(66,187)	405,876
Total liabilities and fund balances	$ 1,639,957	$ 199,431	$ 1,839,388

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

Total governmental fund balances			$	405,876
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				692,454
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				
Accounts receivable	$	234,676		
Intergovernmental receivable		416		
Total				235,092
Internal service funds are used by management to charge the costs of computer maintenance and self-insurance operations to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.				(98,134)
Unamortized note issuance costs are not recognized in the funds.				2,955
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.				
Compensated absences payable		(507,541)		
Loans payable		(444,914)		
Total				(952,455)
Net assets of governmental activities			$	285,788

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
From local sources:			
Tuition	$ 5,752,896	$ -	$ 5,752,896
Earnings on investments	1,415	-	1,415
Services provided to other entities	1,403,112	-	1,403,112
Extracurricular	-	915	915
Rental income	115	-	115
Contributions and donations	500	1,944	2,444
Other local revenues	1,623	802	2,425
Intergovernmental - state	1,281,156	282,153	1,563,309
Intergovernmental - federal	-	940,671	940,671
Total revenues	8,440,817	1,226,485	9,667,302
Expenditures:			
Current:			
Instruction:			
Regular	443,361	199,667	643,028
Special	1,280,565	764,394	2,044,959
Support services:			
Pupil	2,137,667	22,015	2,159,682
Instructional staff	2,602,268	238,017	2,840,285
Board of education	29,458	-	29,458
Administration	369,848	-	369,848
Fiscal	185,426	9,924	195,350
Operations and maintenance	157,792	-	157,792
Pupil transportation	529,064	-	529,064
Central	281,865	17,292	299,157
Operation of non-instructional services:			
Other non-instructional services	20,246	78,499	98,745
Debt service:			
Principal retirement	443,656	-	443,656
Interest and fiscal charges	18,852	-	18,852
Note issuance costs	3,064	-	3,064
Total expenditures	8,503,132	1,329,808	9,832,940
Excess of expenditures over revenues	(62,315)	(103,323)	(165,638)
Other financing sources (uses):			
Transfers in	-	11,957	11,957
Transfers (out)	(11,957)	-	(11,957)
Sale of notes	450,000	-	450,000
Total other financing sources (uses)	438,043	11,957	450,000
Net change in fund balances	375,728	(91,366)	284,362
Fund balances at beginning of year	96,335	25,179	121,514
Fund balances (deficits) at end of year	$ 472,063	$ (66,187)	$ 405,876

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

Net change in fund balances - total governmental funds			$	284,362
Amounts reported for governmental activities in the statement of activities are different because:				
Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.				
Capital asset additions	$	36,500		
Current year depreciation		(79,922)		
Total				(43,422)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Tuition		192,029		
Intergovernmental		(177,886)		
Total				14,143
Repayment of the loan and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:				
Loans		441,291		
Capital lease		2,365		
Total				443,656
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:				
Decrease in accrued interest payable		745		
Amortization of note issue costs		(109)		
Total				636
The note issuance is recorded an other financing source in the funds, however in the statement of activities, it is not reported as it increases the liabilities on the statement of net assets.				(450,000)
Note issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.				3,064
Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.				(61,894)
The Internal service funds used for self- insurance and computer maintenance are not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.				(523,597)
Change in net assets of governmental activities			$	(333,052)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Governmental Activities - Internal Service Funds
Assets:	
Current:	
Equity in pooled cash	
and cash equivalents.	$ 15,903
Cash with fiscal agent.	77,907
Total assets	93,810
Liabilities:	
Current:	
Claims payable	191,944
Total liabilities	191,944
Net assets:	
Unrestricted (deficit)	(98,134)
Total net assets (deficit).	$ (98,134)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Funds
Operating revenues:	
Sales/charges for services.	$ 1,281,397
Total operating revenues	1,281,397
Operating expenses:	
Fringe benefits.	226
Purchased services.	227,207
Materials and supplies.	995
Claims	1,577,978
Total operating expenses	1,806,406
Operating loss.	(525,009)
Nonoperating revenues:	
Interest revenue	1,412
Total nonoperating revenues	1,412
Change in net assets.	(523,597)
Net assets at beginning of year	425,463
Net assets (deficit) at end of year.	$ (98,134)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Funds
Cash flows from operating activities:	
Cash received from sales/charges for services.	$ 1,281,397
Cash payments for personal services	(226)
Cash payments for purchased services	(227,207)
Cash payments for materials and supplies.	(1,284)
Cash payments for claims	(1,558,652)
Net cash used in operating activities	(505,972)
Cash flows from investing activities:	
Interest received	1,412
Net cash provided by investing activities	1,412
Net decrease in cash and cash equivalents	(504,560)
Cash and cash equivalents at beginning of year . . .	598,370
Cash and cash equivalents at end of year	$ 93,810
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (525,009)
Changes in assets and liabilities:	
Decrease in accounts payable	(289)
Increase in claims payable.	19,326
Net cash used in operating activities	$ (505,972)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	Agency
Assets:	
Equity in pooled cash and cash equivalents	$ 12,585
Total assets.	$ 12,585
Liabilities:	
Due to students	$ 12,585
Total liabilities	$ 12,585

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Columbiana County Educational Service Center (the "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 Center operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the Center's support facilities staffed by 56 non-certified and 72 certified teaching personnel and 5 administrators who provide services to 14,530 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)
ACCESS is a jointly governed organization among 22 school districts and 2 county educational service centers. ACCESS was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports ACCESS based upon a per pupil charge dependent upon the software package utilized. ACCESS is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the Center does not have any equity interest in ACCESS. Financial information can be obtained from the treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 DeBartolo Place, Suite 104, Youngstown, Ohio 44512-7019.

INSURANCE PURCHASING POOL

Ohio Mid-Eastern Regional Educational Services Agency
The Center is a participant with several other school districts in an insurance purchasing pool to operate the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA was formed for the purpose of providing insurance. OME-RESA is governed by a Board of Directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
The Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

The following is the Center's major governmental fund:

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

Other governmental funds of the Center are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the Center's ongoing activities which are similar to those often found in the private sector. The Center has no enterprise funds. The following is a description of the Center's internal service funds:

Internal service funds - An internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service funds of the Center account for a self-insurance program which provides medical/surgical, dental, vision and life benefits to employees and to account for a computer maintenance program.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center's agency funds account for student activities and monies held and due to other school districts.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

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

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

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

Like the government-wide statements, the internal service funds are 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 fund 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 Center finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operation. The principal operating revenues of the Center’s internal service funds are charges for sales and services. Operating expenses for internal service funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

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

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

E. Budgets

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

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

F. Cash and Investments

To improve cash management, cash received by the Center is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2009, investments were limited to repurchase agreements which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board, investment earnings are assigned to the general fund and the self-insurance internal service fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to $1,415, which includes $145 assigned from other funds.

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

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

G. Pass Through Grants

The Center is the primary recipient of grants, which are passed-through to or spent on behalf of the local school districts within the County. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. Grants in which the Center has no financial or administrative role and are passed-through to the local school districts in the County are reported in an agency fund.

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

H. Capital Assets

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

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

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

Description	Governmental Activities Estimated Lives
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the Center consist of vacation leave and sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Center and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the termination method. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy.

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service funds are reported on the proprietary fund 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 during the current year. Loans are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves

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

M. Operating Revenues, Operating Expenses and Non-operating revenues

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Center, these revenues are charges for services for the employee self-insurance program, computer maintenance operations and training programs provided for local school districts. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund including claims and administrative expenses. Non-operating revenues consisted of interest revenue for the Center.

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

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Unamortized Note Issuance Costs

On government-wide financial statements, issuance costs are deferred and amortized over the term of the note using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

R. Interfund Activity

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

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

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

B. Deficit Fund Balances

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

Nonmajor governmental funds	Deficit
IDEA VI-B	$ 37,972
Management information systems	32
Miscelleneous State grants	15,701
Preschool incentive grant	5,314
Miscelleneous federal grants	13,805

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances in the IDEA VI-B, management information systems and preschool incentive grants funds resulted from adjustments for accrued liabilities.

The deficit fund balances in the miscellaneous state grants and miscellaneous federal grants funds resulted from both the reporting of short-term interfund loans as a fund liability rather than as an other financing source and adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the Center had $100 in undeposited cash on hand which is included on the financial statements of the Center as part of “equity in pooled cash and cash equivalents”.

B. Cash with Fiscal Agent

At fiscal year end, $77,907 was the balance in the employee benefits fund held by the fiscal agent, however, this amount is not part of the internal cash pool reported on the financial statements as “cash with fiscal agent”. This amount is not included in “Deposits with Financial Institutions” below.

C. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all Center deposits was $25,031, exclusive of the $1,075,719 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, the Center’s entire bank balance of $133,208 was covered by the FDIC.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2009, the Center had the following investment and maturity:

Investment type	Fair Value	Investment Maturity 6 months or less
Repurchase agreement	$ 1,075,719	$ 1,075,719

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

Credit Risk: The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

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

Investment type	Fair Value	% of Total
Repurchase agreement	$ 1,075,719	100.00

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

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

Cash and investments per note	
Carrying amount of deposits	$ 25,031
Investments	1,075,719
Cash on hand	100
Cash with fiscal agent	77,907
Total	$ 1,178,757
Cash and investments per statement of net assets	
Governmental activities	$ 1,166,172
Agency funds	12,585
Total	$ 1,178,757

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental funds	$ 92,836

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

B. Interfund balances at June 30, 2009 as reported on the fund statements consist of the following advances to/from other funds:

Receivable fund	Payable fund	Amount
General	Nonmajor governmental fund	$ 16,578

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The long-term interfund balances are not expected to be repaid within one year.

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

C. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Nonmajor governmental funds:	$ 11,957

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore no transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - STATE FUNDING

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

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

If additional funding is required and if a majority of the Boards of Education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of $43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating Boards approve or disapprove the apportionment. The local school districts to which the Center provides services have agreed to pay $8.50 per pupil to provide additional funding for services provided by the Center.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Accounts	$ 527,683
Intergovernmental	126,766
Total	$ 654,449

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

NOTE 8 - CAPITAL ASSETS

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

	Balance 06/30/08	Additions	Deductions	Balance 06/30/09
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 61,900	$ -	$ -	$ 61,900
Total capital assets, not being depreciated	61,900	-	-	61,900
Capital assets, being depreciated:				
Land improvements	24,695	34,500	-	59,195
Buildings and improvements	1,266,281	-	-	1,266,281
Furniture and equipment	429,297	2,000	-	431,297
Vehicles	433,629	-	-	433,629
Total capital assets, being depreciated	2,153,902	36,500	-	2,190,402
Less: accumulated depreciation				
Land improvements	(24,079)	(1,479)	-	(25,558)
Buildings and improvements	(735,804)	(36,479)	-	(772,283)
Furniture and equipment	(298,393)	(32,284)	-	(330,677)
Vehicles	(421,650)	(9,680)	-	(431,330)
Total accumulated depreciation	(1,479,926)	(79,922)	-	(1,559,848)
Governmental activities capital assets, net	$ 735,876	$ (43,422)	$ -	$ 692,454

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$ 3,443
Special	4,694
Support services:	
Pupil	1,599
Instructional staff	41,772
Board of education	384
Administration	4,605
Operations and maintenance	940
Pupil transportation	9,680
Central	12,805
Total depreciation expense	$ 79,922

NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the Center entered into capitalized leases for a phone system and an air conditioner. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of $44,740. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 for equipment was $12,839, leaving a current book value of $31,901. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled $2,365 paid by the general fund. This lease was retired in fiscal year 2009.

NOTE 10 - LONG-TERM OBLIGATIONS

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

	Balance Outstanding 06/30/08	Additions	Reductions	Balance Outstanding 06/30/09	Amounts Due in One Year
Governmental activities:					
Loan payable - 2002	$ 436,205	$ -	$ (436,205)	$ -	$ -
Loan payable - 2009	-	450,000	(5,086)	444,914	21,157
Capital lease obligations	2,365	-	(2,365)	-	-
Compensated absences	445,647	179,074	(117,180)	507,541	124,041
Total long-term obligations, governmental activities	$ 884,217	$ 629,074	$ (560,836)	$ 952,455	$ 145,198

Compensated absences will be paid from the fund from which the employee is paid, which for the Center, are primarily the general fund and the IDEA VI-B grant fund (a nonmajor governmental fund).

A loan payable was issued in fiscal year 2002 for the acquisition of the Center's building. The loan was issued on March 12, 2002 and matured with a balloon payment made on March 15, 2009. The loan had an interest rate of 4.02% and was repaid from the general fund.

A loan was issued in fiscal year 2009 to refinance the central office building. The loan was issued on March 30, 2009 and matures with a balloon payment due on March 30, 2016. The loan bears an interest rate of 4.80% and is being repaid from the general fund.

The capital lease obligations were paid from the general fund. See Note 9 for detail.

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a summary of the Center's future annual debt service requirements to maturity for the fiscal year 2009 loan payable:

Fiscal Year Ending June 30,	Principal on loan	Interest on loan	Total
2010	$ 21,157	$ 21,186	$ 42,343
2011	22,209	20,132	42,341
2012	23,262	19,080	42,342
2013	24,474	17,868	42,342
2014	25,689	16,651	42,340
2015 - 2016	328,123	26,036	354,159
Total	$ 444,914	$120,953	$ 565,867

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the Center contracted with The Hollaway Insurance Company for property insurance, fleet insurance and general liability insurance.

Professional liability is protected by Ohio Casualty with a $2,000,000 annual aggregate/$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Ohio Casualty and hold a deductible for comprehensive and a $1,000 deductible for collision. Automobile liability has a $1,000,000 combined single limit of liability for property damage and bodily injury, and $5,000 medical payment coverage per person. There is also an umbrella policy over the liability and vehicle coverage of $2,000,000 per policy. Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Employee Group Medical, Dental, Vision and Life Insurance

Medical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The 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 in the Center's behalf. The claims liability of $191,944 reported in the internal service fund at June 30, 2009, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling claims.

NOTE 11 - RISK MANAGEMENT - (Continued)

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

Fiscal Year	Beginning Balance	Claims Incurred	Claims Payments	Ending Balance
2009	$ 172,618	$ 1,577,978	$ (1,558,652)	$ 191,944
2008	152,196	1,420,979	(1,400,557)	172,618

C. Workers' Compensation Group Rating Plan

The Center participates in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the Plan.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of The Sheakley Group of Companies provides administrative, cost control and actuarial services to the Plan.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were $183,626, $108,814 and $183,511, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

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

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $468,232, $436,418 and $427,370, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were $6,044 made by the Center and $14,371 made by the plan members.

C. Social Security System

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

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

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

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

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were $112,806, $77,158 and $90,716, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were $15,151, $7,840 and $12,479, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were $36,018, $33,571 and $32,875, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 15 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, administrator and supervisors earn five to twenty days of vacation per year depending upon length of service. Accumulated unused vacation time is paid upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 200 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 50 days.

B. Medical, Dental, Vision and Prescription Drug Insurance

The Center maintains a health and welfare plan that provides medical, dental, vision and prescription drug card benefits. The monthly family and single premium for medical, dental, vision and life insurance is $1,606 and $616, respectively. These premiums are paid to OME-RESA.

C. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided by OME-RESA.

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive
	Original	**Final**	**Actual**	**(Negative)**
Revenues:				
From local sources:				
Tuition	$ 5,586,464	$ 6,978,240	$ 5,524,967	$ (1,453,273)
Earnings on investments	14,709	18,374	1,415	(16,959)
Services provided to other entities	1,382,368	1,726,763	1,402,947	(323,816)
Rental income	92	115	115	-
Contributions and donations	400	500	500	-
Other local revenues	-	-	4,415	4,415
Intergovernmental - state	1,027,246	1,283,168	1,281,156	(2,012)
Total revenues	8,011,279	10,007,160	8,215,515	(1,791,645)
Expenditures:				
Current:				
Instruction:				
Regular	415,217	477,773	444,638	33,135
Special	1,266,783	1,457,634	1,294,413	163,221
Support services:				
Pupil	2,008,144	2,310,687	2,127,007	183,680
Instructional staff	2,881,812	3,315,981	2,695,687	620,294
Board of education	32,009	36,831	34,635	2,196
Administration	346,285	398,456	378,114	20,342
Fiscal	191,058	219,843	207,629	12,214
Operations and maintenance	148,518	170,893	138,171	32,722
Pupil transportation	573,765	660,207	556,869	103,338
Central	263,942	303,707	295,594	8,113
Operation of non-instructional services:				
Other non-instructional services	51,093	58,790	58,569	221
Debt service:				
Principal retirement	57,969	66,702	451,579	(384,877)
Interest and fiscal charges	10,192	11,728	11,600	128
Total expenditures	8,246,787	9,489,232	8,694,505	794,727
Excess (deficiency) of revenues over (under) expenditures	(235,508)	517,928	(478,990)	(996,918)
Other financing sources (uses):				
Refund of prior year expenditure	1,601	2,000	1,623	(377)
Transfers (out)	-	-	(11,957)	(11,957)
Advances in	-	-	254,559	254,559
Advances (out)	-	-	(92,836)	(92,836)
Sale of notes	360,250	450,000	450,000	-
Total other financing sources (uses)	361,851	452,000	601,389	149,389
Net change in fund balance	126,343	969,928	122,399	(847,529)
Fund balance at beginning of year	481,758	481,758	481,758	-
Prior year encumbrances appropriated	100,014	100,014	100,014	-
Fund balance at end of year	$ 708,115	$ 1,551,700	$ 704,171	$ (847,529)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 - BUDGETARY PROCESS

The Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Center's Board does follow the budgetary process for control purposes.

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

4. Advances In and Advance Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	General
Budget basis	$ 122,399
Net adjustment for revenue accruals	225,302
Net adjustment for expenditure accruals	(104,153)
Net adjustment for other sources/(uses)	(163,346)
Adjustment for encumbrances	295,526
GAAP basis	$ 375,728

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COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER

COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ *Pass Through Grantor* **Program Title**	**Pass Through Entity Number**	**Federal CFDA Number**	**Receipts**	**Disbursements**
U.S. DEPARTMENT OF EDUCATION				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	046417-6BSF-2008	84.027	$291,981	$291,981
	046417-6BSF-2009		558,716	533,742
Total IDEA Part B			850,697	825,723
Special Education - Preschool Grant	046417-PGS1-2008	84.173	13,431	13,431
	046417-PGS1-2009		39,636	39,636
			4,050	0
Total Special Education - Preschool Grant			57,117	53,067
Total Special Education Cluster Grant			907,814	878,790
Javitis Gifted Grant		84.206	3,000	0
Ohio School Improvement Process		84.377	8,000	0
U.S. DEPARTMENT OF EDUCATION				
Direct Assistance:				
Foreign Language Assistance	T293B070048-08	84.293	28,062	29,349
	T293B070048-09		163,250	156,824
			2,490	2,490
Total Foreign Language Assistance			193,802	188,663
Total Department of Education			1,112,616	1,067,453
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Passed Through Ohio Corporation for National and Community Service:				
Passed through Columbiana County Mental Health and Recovery Board:				
Project Care 2008 Grant	N/A	94.006	23,852	23,960
Project Care 2009 Grant			111,859	111,859
Total Project Care Grant			135,711	135,819
Totals			**$1,248,327**	**$1,203,272**

The accompanying notes to this schedule are an integral part of this schedule.

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Columbiana County Educational Service Center's (the Service Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

Mary Taylor, CPA
Auditor of State

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

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, Ohio 44432

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, (the Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Compliance and Other Matters

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

We did note a certain noncompliance that we reported to the Service Center's management in a separate letter dated January 20, 2010.

We intend this report solely for the information and use of the audit committee, management, board of education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 20, 2010

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, Ohio 44432

To the Board of Education

Compliance

We have audited the compliance of Columbiana County Educational Service Center (the Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Service Center's major federal programs. The Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Service Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Service Center's compliance with those requirements.

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The Service Center's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Service Center's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Service Center's ability to administer a federal program such that there is more than a remote likelihood that the Service Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Service Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 20, 2010

COLUMBIANA COUNTY ECATIONAL SERVICE CENTER
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Unqualified**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**No**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**No**
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Unqualified**
(d)(1)(vi)	**Are there any reportable findings under § .510?**	**No**
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster (84.027 Grants to States (IDEA, Part B) and 84.173 Preschool Grants (IDEA Preschool)
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Mary Taylor, CPA
Auditor of State

EDUCATIONAL SERVICE CENTER

COLUMBIANA 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
MARCH 30, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us