



Mary Taylor, CPA  
Auditor of State



**OHIO VALLEY EDUCATIONAL SERVICE CENTER  
GUERNSEY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information the Ohio Valley Educational Service Center, Guernsey County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2007, which collectively comprise the Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Educational Service Center, Guernsey County, Ohio, as of and for the year ended June 30, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2008, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Educational Service Center's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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 whole.

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

**Mary Taylor, CPA**  
Auditor of State

February 14, 2008

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

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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The discussion and analysis of the Ohio Valley Educational Service Center's (the Educational Service Center) financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2007 are as follows:

- In total, net assets of governmental activities increased \$185,691 which represents a 49.6 percent increase from the prior fiscal year.
- General revenues accounted for \$514,055 in revenue or 7.7 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,150,766 or 92.3 percent of total revenues of \$6,664,821.
- Total assets of governmental activities increased \$547,691 due to increases cash and cash equivalents, intergovernmental receivables, and capital assets.
- The Educational Service Center had \$6,479,130 in expenses related to governmental activities; \$6,150,766 of these expenses was offset by program specific charges for services, grants, contributions, and interest. General revenues of \$514,055 were adequate to provide for the remainder of these activities.
- The Educational Service Center's major funds consist of the General Fund and the Miscellaneous Local Funds Special Revenue Fund. The General Fund had \$5,763,434 in revenues and \$5,815,743 in expenditures and other financing uses. The General Fund's balance decreased \$52,309. The Miscellaneous Local Funds Special Revenue Fund had \$488,768 in revenues and \$444,507 in expenditures. The Miscellaneous Local Funds Special Revenue Fund's balance increased \$44,261.

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

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

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

**Ohio Valley Educational Service Center, Ohio**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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

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

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for school districts, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Fund Financial Statements**

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

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

**Ohio Valley Educational Service Center, Ohio**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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

**The Educational Service Center as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole. Table I provides a summary of the Educational Service Center's net assets for 2007 compared to 2006.

**Table I**  
**Net Assets**

	<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$1,249,756	\$1,083,961	\$165,795
Capital Assets	435,983	54,087	381,896
Total Assets	<u>1,685,739</u>	<u>1,138,048</u>	<u>547,691</u>
<b>Liabilities</b>			
Long-Term Liabilities	536,742	221,929	314,813
Other Liabilities	588,932	541,745	47,187
Total Liabilities	<u>1,125,674</u>	<u>763,674</u>	<u>362,000</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Debt	141,686	54,087	87,599
Restricted for Other Purposes	95,711	67,729	27,982
Unrestricted	<u>322,668</u>	<u>252,558</u>	<u>70,110</u>
<b>Total Net Assets</b>	<u><u>\$560,065</u></u>	<u><u>\$374,374</u></u>	<u><u>\$185,691</u></u>

Total assets increased \$547,691. The majority of the increase was in capital assets resulting from the purchase of and improvements to a building in fiscal year 2007. In prior fiscal years, the Educational Service Center rented office space.

Total liabilities increased \$362,000, or approximately 47 percent. The majority of this increase was due to the issuance of two notes to pay for the building and building improvements. Additionally, there were minor increases in accrued wages and benefits payable and intergovernmental payables. These increases were offset by a decrease in matured compensated absences payable of \$13,650.

**Ohio Valley Educational Service Center, Ohio**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, and comparisons to fiscal year 2006.

	Governmental Activities		Change
	2007	2006	
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$4,522,389	\$2,899,046	\$1,623,343
Operating Grants, Contributions, and Interest	1,628,377	2,191,609	(563,232)
Total Program Revenues	<u>6,150,766</u>	<u>5,090,655</u>	<u>1,060,111</u>
General Revenues			
Grants and Entitlements	433,013	441,730	(8,717)
Investment Earnings	53,565	39,508	14,057
Miscellaneous	27,477	15,374	12,103
Total General Revenues	<u>514,055</u>	<u>496,612</u>	<u>17,443</u>
Total Revenues	<u>6,664,821</u>	<u>5,587,267</u>	<u>1,077,554</u>
<b>Program Expenses</b>			
Instruction			
Regular	635,981	208,023	427,958
Special	1,472,827	1,418,632	54,195
Adult/Continuing	39,595	38,560	1,035
Intervention	96,942	0	96,942
Support Services			
Pupils	1,404,060	1,603,250	(199,190)
Instructional Staff	1,588,745	1,464,456	124,289
Board of Education	31,632	27,504	4,128
Administration	690,606	605,159	85,447
Fiscal	242,846	219,622	23,224
Operation and Maintenance of Plant	111,604	45,108	66,496
Pupil Transportation	9,426	7,720	1,706
Central	16,181	6,040	10,141
Operation of Non-Instructional Services	0	19,966	(19,966)
Extracurricular Activities	46,536	78,046	(31,510)
Intergovernmental	76,777	85,679	(8,902)
Interest and Fiscal Charges	15,372	0	15,372
Total Expenses	<u>6,479,130</u>	<u>5,827,765</u>	<u>651,365</u>
<b>Change in Net Assets</b>	185,691	(240,498)	426,189
Net Assets Beginning of Year	374,374	819,766	(445,392)
Prior Period Adjustment	<u>0</u>	<u>(204,894)</u>	<u>204,894</u>
Adjusted Net Assets			
End of Year - Note 3	<u>\$560,065</u>	<u>\$374,374</u>	<u>\$185,691</u>

**Ohio Valley Educational Service Center, Ohio**

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

During fiscal year 2007, the Educational Service Center net assets increased \$185,691. Total revenues increased \$1,077,554. This increase is based upon increased charges for services program revenue recovered from the city, local, and exempted village school districts associated with the Educational Service Center. Operating grants, contributions, and interest decreased as a result of decreased restricted state and federal funding. Expenses increased \$651,365 from the prior year. This was due to the Educational Service Center experiencing an increase in personnel and an increase in services provided to the associated school districts.

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

**Table 3  
Governmental Activities**

	2007 Total Cost of Services	2007 Net Cost of Services	2006 Total Cost of Services	2006 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$635,981	(\$219,193)	\$208,023	\$165,321
Special	1,472,827	(856,595)	1,418,632	(937,449)
Adult/Continuing	39,595	(10,723)	38,560	14,769
Intervention	96,942	(3,348)	0	0
Support Services:				
Pupil	1,404,060	324,659	1,603,250	244,103
Instructional Staff	1,588,745	515,771	1,464,456	333,494
Board of Education	31,632	31,632	27,504	27,504
Administration	690,606	281,149	605,159	581,547
Fiscal	242,846	107,146	219,622	177,854
Operation and Maintenance of Plant	111,604	109,623	45,108	45,108
Pupil Transportation	9,426	9,426	7,720	7,720
Central	16,181	10,181	6,040	40
Operation of Non-Instructional Services	0	0	19,966	(947)
Extracurricular Activities	46,536	13,564	78,046	78,046
Intergovernmental	76,777	(300)	85,679	0
Interest and Fiscal Charges	15,372	15,372	0	0
<b>Totals</b>	<u>\$6,479,130</u>	<u>\$328,364</u>	<u>\$5,827,765</u>	<u>\$737,110</u>

Instruction programs comprise approximately 35 percent of total governmental program expenses, support services comprise approximately 63 percent of total governmental program expenses, and operation of non-instructional services, extracurricular activities, intergovernmental, and interest and fiscal charges combined comprise approximately 2 percent of total governmental program expenses. Of the instruction expenses, approximately 66 percent is for special instruction. Of the support services expenses, approximately 34 percent is for pupils, 39 percent for instructional staff, and 17 percent for administration. The biggest difference in the net cost of services is reflected in the special instruction program. The direct charges for services the Educational Service Center is receiving from contracts with participating school districts is sufficient to cover the costs of administering the various programs for them. The programs that are lacking sufficient program revenues are the support services for pupils

**Ohio Valley Educational Service Center, Ohio**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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and instructional staff. This is a direct result of the elimination of CAFS reimbursements that were used to help offset the costs of this program.

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

The Education Service Center has two major funds: the General Fund and the Miscellaneous Local Funds Special Revenue Fund. The Educational Service Center's major funds are accounted for using the modified accrual basis of accounting. The General Fund had total revenues of \$5,763,434 and expenditures and other financing uses of \$5,815,743. The General Fund had a decrease in fund balance of \$52,309. This was due to increased expenditures in capital outlay and transfers to the Capital Projects Fund for capital outlay, and the Debt Service Fund for debt retirement. The Miscellaneous Local Funds Special Revenue Fund had total revenues of \$488,768 and expenditures of \$444,507. The Miscellaneous Local Funds Special Revenue Fund had a \$44,261 increase in fund balance. This was due to an increase in grant programs awarded to the Educational Service Center.

**Budgeting Highlights**

Under Ohio law, Educational Service Centers are no longer required to prepare a budget. Therefore, at June 30, 2007, a budgetary statement is not presented within the basic financial statements because the Board did not approve estimated revenues or adopt appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2006, the School District had \$449,701 invested in land, buildings, improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4  
Capital Assets  
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>Restated 2006</u> <u>(See Note 3)</u>
Land	\$55,434	\$0
Buildings	340,614	0
Machinery, Equipment Furniture, and Fixtures	<u>39,935</u>	<u>54,087</u>
Totals	<u><u>\$435,983</u></u>	<u><u>\$54,087</u></u>

See Note 8 for more information on Capital Assets.

**Ohio Valley Educational Service Center, Ohio**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2007  
 Unaudited

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***Debt***

At June 30, 2007, the School District had the following debt outstanding:

Table 5  
 Outstanding Debt at Fiscal Year End

	Governmental Activities	
	2007	2006
Building Note	\$247,519	\$0
Building Improvement Note	46,778	0
	\$294,297	\$0

See Note 13 for more information on debt.

**Economic Factors**

The Ohio Valley Educational Service Center's net assets increased by \$185,691. As the preceding information shows, the Educational Service Center relies heavily on the special education services it provides to its local, city, and exempted village school districts. Special education service charges are based upon the actual cost of the service divided by the number of students who will benefit from the service. The financial positions of the school districts who contract for special education services with the Educational Service Center will continue to have an impact on the increase or decrease in revenues of the Educational Service Center.

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

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

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**Ohio Valley Educational Service Center, Ohio**

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$770,236
Cash and Cash Equivalents with Fiscal Agent	158,058
Accounts Receivable	6,818
Intergovernmental Receivable	310,685
Prepays	3,959
Non-Depreciable Capital Assets	55,434
Depreciable Capital Assets, Net	<u>380,549</u>
Total Assets	<u>1,685,739</u>
<b>Liabilities</b>	
Accounts Payable	29,557
Accrued Wages and Benefits Payable	402,874
Intergovernmental Payable	134,895
Claims Payable	21,606
Long-Term Liabilities:	
Due Within One Year	134,977
Due in More Than One Year	<u>401,765</u>
Total Liabilities	<u>1,125,674</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	141,686
Restricted for Other Purposes	95,711
Unrestricted	<u>322,668</u>
Total Net Assets	<u><u>\$560,065</u></u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues		Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$635,981	\$830,157	\$25,017	\$219,193
Special	1,472,827	1,009,281	1,320,141	856,595
Adult/Continuing	39,595	50,318	0	10,723
Intervention	96,942	100,290	0	3,348
Support Services:				
Pupils	1,404,060	1,075,149	4,252	(324,659)
Instructional Staff	1,588,745	884,976	187,998	(515,771)
Board of Education	31,632	0	0	(31,632)
Administration	690,606	403,916	5,541	(281,149)
Fiscal	242,846	133,349	2,351	(107,146)
Operation and Maintenance of Plant	111,604	1,981	0	(109,623)
Pupil Transportation	9,426	0	0	(9,426)
Central	16,181	0	6,000	(10,181)
Extracurricular Activities	46,536	32,972	0	(13,564)
Intergovernmental	76,777	0	77,077	300
Interest and Fiscal Charges	15,372	0	0	(15,372)
<b>Total Governmental Activities</b>	<u>\$6,479,130</u>	<u>\$4,522,389</u>	<u>\$1,628,377</u>	<u>(328,364)</u>
<b>General Revenues</b>				
				433,013
Grants and Entitlements not Restricted to Specific Programs				53,565
Investment Earnings				<u>27,477</u>
Miscellaneous				
<b>Total General Revenues</b>				<u>514,055</u>
<b>Change in Net Assets</b>				185,691
<b>Net Assets Beginning of Year, Restated (See Note 3)</b>				<u>374,374</u>
<b>Net Assets End of Year</b>				<u><u>\$560,065</u></u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

Balance Sheet

Governmental Funds

June 30, 2007

	General	Miscellaneous Local Funds	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$713,284	\$17,110	\$39,842	\$770,236
Accounts Receivable	4,000	0	2,818	6,818
Intergovernmental Receivable	200,042	97,552	13,091	310,685
Prepaid Items	3,858	0	101	3,959
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$921,184	\$114,662	\$55,852	\$1,091,698
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>				
Accounts Payable	\$28,229	\$60	\$1,268	\$29,557
Accrued Wages and Benefits Payable	369,436	31,100	2,338	402,874
Intergovernmental Payable	106,690	27,515	690	134,895
Deferred Revenue	35,863	0	10,466	46,329
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	540,218	58,675	14,762	613,655
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>				
Unreserved, Undesignated Reported in:				
General Fund	380,966	0	0	380,966
Special Revenue Funds	0	55,987	41,090	97,077
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	380,966	55,987	41,090	478,043
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$921,184	\$114,662	\$55,852	
	<hr/>	<hr/>	<hr/>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 435,983

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

Grants	10,466	
Contract Services	35,863	
Total	<hr/>	46,329

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

2007 Building Note Payable	(247,519)	
2007 Building Improvement Note Payable	(46,778)	
Compensated Absences Payable	<hr/>	(536,742)

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

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Net Assets of Governmental Activities 

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See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007

	General	Miscellaneous Local Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental	\$1,723,947	\$0	\$332,335	\$2,056,282
Interest	47,907	0	0	47,907
Tuition and Fees	21,632	0	0	21,632
Contract Services	3,954,450	483,168	28,494	4,466,112
Miscellaneous	15,498	5,600	0	21,098
<b>Total Revenues</b>	<b>5,763,434</b>	<b>488,768</b>	<b>360,829</b>	<b>6,613,031</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	438,868	169,464	26,969	635,301
Special	1,467,292	22	28,628	1,495,942
Adult/Continuing	40,247	0	0	40,247
Intervention	0	96,942	0	96,942
Support Services:				
Pupils	1,274,649	130,397	11,905	1,416,951
Instructional Staff	1,431,467	10,475	183,781	1,625,723
Board of Education	29,143	0	0	29,143
Administration	642,438	32,239	7,293	681,970
Fiscal	192,494	2,000	31,880	226,374
Operation and Maintenance of Plant	142,948	2,220	505	145,673
Pupil Transportation	8,886	540	0	9,426
Central	10,742	208	5,231	16,181
Extracurricular Activities	46,543	0	0	46,543
Intergovernmental	0	0	76,777	76,777
Capital Outlay	11,529	0	362,917	374,446
Debt Service:				
Principal	0	0	10,703	10,703
Interest	0	0	15,372	15,372
<b>Total Expenditures</b>	<b>5,737,246</b>	<b>444,507</b>	<b>761,961</b>	<b>6,943,714</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	78,497	78,497
Notes Issued	0	0	305,000	305,000
Transfers Out	(78,497)	0	0	(78,497)
<b>Total Other Financing Sources (Uses)</b>	<b>(78,497)</b>	<b>0</b>	<b>383,497</b>	<b>305,000</b>
Net Change in Fund Balances	(52,309)	44,261	(17,635)	(25,683)
Fund Balances Beginning of Year	433,275	11,726	58,725	503,726
Fund Balances End of Year	<u>\$380,966</u>	<u>\$55,987</u>	<u>\$41,090</u>	<u>\$478,043</u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
 Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2007

**Net Change in Fund Balances - Total Governmental Funds** (\$25,683)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation is expensed. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	408,493	
Depreciation Expense	<u>(26,597)</u>	
		381,896

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

	Contract Services	34,645
	Grants	<u>5,108</u>
		39,753

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 10,703

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets. (305,000)

Expenses from compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds: (20,516)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. The net change of the internal service fund is reported with governmental activities. 104,538

Change in Net Assets of Governmental Activities \$185,691

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
Statement of Fund Net Assets  
Health Self-Insurance Internal Service Fund  
June 30, 2007

<b>Current Assets</b>	
Cash and Cash Equivalents with Fiscal Agent	<u>\$158,058</u>
Total Assets	<u>158,058</u>
<b>Current Liabilities</b>	
Claims Payable	<u>21,606</u>
Total Liabilities	<u>21,606</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$136,452</u></u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Health Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2007

<b>Operating Revenues</b>	
Charges for Services	\$728,471
Other Revenues	6,379
	<hr/>
Total Operating Revenues	734,850
	<hr/>
<b>Operating Expenses</b>	
Purchased Services	194,475
Claims	441,495
	<hr/>
Total Operating Expenses	635,970
	<hr/>
Operating Income	98,880
<b>Non-Operating Revenues</b>	
Interest	5,658
	<hr/>
Change in Net Assets	104,538
Net Assets Beginning of Year	31,914
	<hr/>
Net Assets End of Year	<u><u>\$136,452</u></u>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**  
Statement of Cash Flows  
Health Self-Insurance Internal Service Fund  
For the Fiscal Year Ended June 30, 2007

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$728,471
Other Cash Receipts	6,379
Cash Payments for Goods and Services	(194,475)
Cash Payments for Claims	(441,871)
	<hr/>

Net Cash Provided by Operating Activities	98,504
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**Cash Flows from Investing Activities**

Interest on Investments	5,658
	<hr/>

Net Decrease in Cash and Cash Equivalents	104,162
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Cash and Cash Equivalents Beginning of Year	53,896
	<hr/>

Cash and Cash Equivalents End of Year	\$158,058
	<hr/> <hr/>

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

Operating Income	\$98,880
Decrease in Claims Payable	(376)
	<hr/>
Net Cash Provided by Operating Activities	\$98,504
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Fiduciary Funds*

*June 30, 2007*

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	Private Purpose Trust	Agency
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$271,122	\$80
	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Due to Students	0	\$80
	<u>                    </u>	<u>                    </u>
<b>Net Assets</b>		
Held in Trust for Scholarships	271,122	
	<u>                    </u>	
Total Net Assets	\$271,122	
	<u>                    </u>	

See accompanying notes to the basic financial statements

**Ohio Valley Educational Service Center, Ohio**

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Fund*

*June 30, 2007*

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	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$2,062
Interest	<u>11,589</u>
Total Additions	13,651
<b>Deductions</b>	
Scholarships Awarded	<u>1,510</u>
Change in Net Assets	12,141
Net Assets Beginning of Year	<u>258,981</u>
Net Assets End of Year	<u><u>\$271,122</u></u>

See accompanying notes to the basic financial statements

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

The Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large. Members are elected to staggered four year terms. The Educational Service Center has 72 certificated and 61 non-certificated employees that provide services to the school districts.

#### **Reporting Entity**

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

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

The Educational Service Center is associated with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECO-SERRC), the Coalition of Rural and Appalachian Schools (CORAS), and the Ohio Coalition of Equity and Adequacy of School Funding which are defined as jointly governed organizations; the Ohio School Boards Association Workers’ Compensation Group Rating Plan and the Ohio School Plan, which are defined as group insurance purchasing pools; and the Ohio Mid-Eastern Regional Educational Service Agency (OMEA-RESA) Self-Insurance Program, which is defined as a claims servicing pool. Additional information concerning these organizations is presented in Notes 14, 15, and 16 to the basic financial statements.

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

##### Government-wide Financial Statements

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

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

##### Fund Financial Statements

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

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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#### **B. Fund Accounting**

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

#### Governmental Funds

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

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

Miscellaneous Local Funds Special Revenue Fund - The Miscellaneous Local Funds Special Revenue Fund is used to account for grant monies awarded to the Educational Service Center by the Guernsey County Department of Job and Family Services. These monies are to be used to provide assistance to low-income students.

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

#### Proprietary Fund Type

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

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

#### Fiduciary Fund

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's Morrison Scholarship private purpose trust fund accounts for a college scholarship administered by the Board of Education. The District Agency Fiduciary Fund accounts for various administrative resources held by the Educational Service Center as an agent for outside activities.

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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#### **C. Measurement Focus**

##### Government-wide Financial Statements

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

##### Fund Financial Statements

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

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

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

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

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

##### Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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or the year when use is first permitted, matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

#### Deferred Revenue

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

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

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

#### Expenses/Expenditures

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

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

#### **E. Budgetary Data**

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

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

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

At fiscal year end 2007, investments were limited to a repurchase agreement, which is reported at cost.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$47,907, which includes \$4,084 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are presented on the financial statements as "Investments".

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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#### **G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

#### **H. Capital Assets**

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

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

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

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

#### **I. Compensated Absences**

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

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

**Ohio Valley Educational Service Center, Ohio**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

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

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

**K. Fund Balance Reserves**

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include state and federal grants restricted to expenditures for specified purposes. The government-wide statement of net assets reports \$95,711 of restricted net assets, of which none are restricted by enabling legislation.

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

**M. Interfund Balances/Interfund Transactions**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets. Payments for interfund goods and services provided and used are not eliminated on the government wide financial statements.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

### **O. Estimates**

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

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

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures/expenses. For fiscal year 2007, this included the Early Childhood Special Education Grant and Temporary Assistance to Needy Families Special Revenue Funds.

### **NOTE 3 – ACCOUNTING CHANGE - RESTATEMENT OF NET ASSETS**

The Educational Service Center contracted with Industrial Appraisal Company to perform capital asset valuation services as of June 30, 2007. This resulted in an increase in capital assets of \$54,087.

The Educational Service Center also made a change in the classification of the Morrison Scholarship Fund. The Morrison Scholarship Fund was previously classified as a special revenue fund and has been reclassified as a private purpose trust fund based upon further review of the terms of the agreement under which the Educational Service Center received the funds.

These corrections had the following impact on net assets:

Net Assets at 6/30/06, as previously reported	\$579,268
Capital Assets Revaluation (Net)	54,087
Reclassification of Morrison Scholarship Fund from a special revenue fund to a private purpose trust fund	<u>(258,981)</u>
Net Assets at 6/30/06, restated	<u><u>\$374,374</u></u>

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

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

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

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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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 held by the Educational Service Center can be deposited or invested in the following securities:

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

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

At June 30, 2007, the Educational Service Center's internal service fund had a balance of \$158,058 with OME-RESA, a jointly governed organization (See Note 14). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the Educational Service Center. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43695.

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At year end, \$29,791 of the Educational Service Center's bank balance of \$129,791 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

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

**Investments** As of June 30, 2007, the Educational Service Center had a repurchase agreement that was part of the internal investment pool. Below is the information for the underlying securities of the repurchase agreement investment:

	Fair Value	Maturity	Percent of Total Investments	Rating	Rating Agency
Repurchase Agreement	\$1,040,905	07/02/07	100.00%	Aaa/AAA	Moody's/S&P

**Interest Rate Risk.** The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of two years. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily. The stated intent of the investment policy is to avoid the need to sell securities prior to maturity.

**Credit Risk.** The Educational Service Center's investment policy does not address credit risk.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities for the repurchase agreement are exposed to custodial credit risk in that the securities are held by the counterparty's trust department or agent, but not in the Educational Service Center's name. The Educational Service Center has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The Educational Service Center places no limit on the amount it may invest in any one issuer however the investment policy states that the Educational Service Center should normally seek to diversify its holdings of investments by avoiding concentrations of specific issuers.

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

The Educational Service Center, under state law, provides supervisory services to school districts within its territory. Each local, city, and exempted village school district that entered into an agreement with the

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

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

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

#### NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of contract services and grants. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<b>Governmental Activities:</b>	
Entry Year Grant	\$1,600
Alternative School Grant	1,213
Homeless Grant	4,303
Early Childhood Special Education Grant	4,950
Contract Services	298,619
Total Intergovernmental Receivable	<u><u>\$310,685</u></u>

#### NOTE 7 - TRANSFERS

	<u>Transfers To</u>
	Other
	Nonmajor
<u>Transfers From</u>	<u>Governmental Funds</u>
General Fund	<u><u>\$78,497</u></u>

During fiscal year 2007, the General Fund transferred \$52,654 to the Capital Projects Fund for building improvements. The General Fund also transferred \$25,843 to the Debt Service Fund for payment on the Building Note and Building Improvement Note.

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

#### NOTE 8 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance (Restated) June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Nondepreciable Capital Assets</b>				
Land	\$0	\$55,434	\$0	\$55,434
Total Nondepreciable Assets	0	55,434	0	55,434
<b>Depreciable Capital Assets</b>				
Buildings and Improvements	0	353,059	0	353,059
Machinery, Equipment, Furniture and Fixtures	96,642	0	0	96,642
Total Capital Assets Being Depreciated	96,642	353,059	0	449,701
Less Accumulated Depreciation:				
Buildings and Improvements	0	(12,445)	0	(12,445)
Machinery, Equipment, Furniture and Fixtures	(42,555)	(14,152)	0	(56,707)
Total Accumulated Depreciation	(42,555)	(26,597) *	0	(69,152)
Total Capital Assets Being Depreciated, Net	54,087	326,462	0	380,549
Governmental Activities Capital Assets, Net	\$54,087	\$381,896	\$0	\$435,983

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

Instruction:	
Special	\$3,882
Adult/Continuing	378
Support Services:	
Pupils	995
Instructional Staff	4,072
Board of Education	2,489
Administration	11,325
Fiscal	3,456
Total Governmental Depreciation	<u>\$26,597</u>

#### NOTE 9 - RISK MANAGEMENT

##### A. Insurance

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP (See Note 16).

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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During fiscal year 2007, the Educational Service Center purchased the following coverage:

<u>Ohio School Plan</u>		
Fleet Insurance:		
Liability	\$1,000,000	any one accident
Educational General Liability:		
General Aggregate Limit	\$3,000,000	
Employee Benefits Liability:		
Aggregate Limit	\$3,000,000	
Employers' Liability:		
Bodily Injury	\$1,000,000	
Educational Legal Liability:	\$3,000,000	
Errors and Omissions Aggregate Limit	\$3,000,000	\$2,500 deductible
Employment Practices Injury Aggregate Limit	\$3,000,000	\$2,500 deductible
Violence Coverage:		
Plan Aggregate Limit	\$500,000	
 <u>Westfield Insurance Company</u>		
Building	\$800,000	\$1,000 deductible
Business Personal Property	\$20,000-\$150,000	\$1,000 deductible
Liability and Medical	\$2,000,000	each occurrence

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

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

For fiscal year 2007, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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

Medical/surgical, dental, vision, and prescription drug insurance is offered through a self-insurance internal service fund. The Educational Service Center pays for 83.5% of family coverage and 88% of single coverage premiums for this insurance. The Educational Service Center is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. The claims liability of \$21,606 reported in the internal service fund at June 30, 2007, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the incremental claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2006	\$100,482	\$349,859	\$428,359	\$21,982
2007	21,982	441,495	441,871	21,606

#### NOTE 10 - EMPLOYEE BENEFITS

##### A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board policies and State laws. Eligible classified employees earn twelve to twenty days of vacation per year, depending upon length of service. Administrators earn twenty days of vacation per year. Teachers do not earn vacation time. Vacation can be accumulated in twenty-five days. Accumulated, unused vacation time, is paid to employees upon termination of employment.

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

##### B. Other Employee Benefits

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

#### NOTE 11 - DEFINED BENEFIT PENSION PLANS

##### A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 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, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$145,253,

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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\$131,907, and \$131,848, respectively; 92.34 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$403,386, \$366,285, and \$360,746, respectively; 91.75 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$10,415 made by the Educational Service Center and \$22,906 made by the plan members.

## Ohio Valley Educational Service Center, Ohio

### Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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#### *C. Social Security System*

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. This liability would be 6.2 percent of wages paid. As of June 30, 2006, the board members are the Educational Service Center's only employees that have elected Social Security.

#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service Center, this amount equaled \$31,030 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$70,175.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**Ohio Valley Educational Service Center, Ohio**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during the fiscal year 2007 were as follows:

	Outstanding 06/30/06	Additions	Deductions	Outstanding 06/30/07	Amount Due Within One Year
<b>Governmental Activities</b>					
2007 Building Note - 5.1%	\$0	\$255,000	\$7,481	\$247,519	\$7,842
2007 Building - 5.1% Improvement Note	0	50,000	3,222	46,778	4,091
Compensated Absences	221,929	129,485	108,969	242,445	123,044
Total Governmental Long-Term Liabilities	<u>\$221,929</u>	<u>\$434,485</u>	<u>\$119,672</u>	<u>\$536,742</u>	<u>\$134,977</u>

Compensated absences will be paid from the General Fund and the Miscellaneous State Grants Special Revenue Fund.

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

Principal and interest requirements to retire the Building Note outstanding at June 30, 2007 are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$7,842	\$12,651	\$20,493
2009	8,292	12,201	20,493
2010	8,731	11,762	20,493
2011	9,194	11,299	20,493
2012	9,650	10,842	20,492
2013-2016	<u>203,810</u>	<u>37,876</u>	<u>241,686</u>
Totals	<u>\$247,519</u>	<u>\$96,631</u>	<u>\$344,150</u>

Principal and interest requirements to retire the Building Improvement Note outstanding at June 30, 2007 are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$4,091	\$2,330	\$6,421
2009	4,314	2,107	6,421
2010	4,542	1,878	6,420
2011	4,783	1,638	6,421
2012	5,032	1,388	6,420
2013-2017	<u>24,016</u>	<u>2,735</u>	<u>26,751</u>
Totals	<u>\$46,778</u>	<u>\$12,076</u>	<u>\$58,854</u>

## Ohio Valley Educational Service Center, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA includes school districts from 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information, legal services, and cooperative purchasing services to member districts. OME-RESA is governed by a governing board which is selected by the member districts. OME-RESA possesses its own budgeting authority. The Educational Service Center's payment for computer services to OME-RESA in fiscal year 2007 was \$9,496. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

#### **B. East Central Ohio Special Education Regional Resource Center (ECO SERRC)**

ECO SERRC is a special education regional resource center which selects its own advisory board, adopts its own budget, recommends employment through its fiscal agent, establishes policy, and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding, and improving special education programs and services for children with disabilities and their parents. The ECO SERRC is governed by an advisory board that operates under guidelines developed by the Office for Exceptional Children at the Ohio Department of Education and consists of one or more superintendents from each of the 10 counties in the region and two parents. The advisory board may also include one representative from the county boards of mental retardation and developmental disabilities, a representative from an institution of higher education, and others at the discretion of the Advisory Board. The degree of control exercised by any participating school district is limited to its representation on the Board. There is no financial commitment made by the districts involved in ECO SERRC. ECO SERRC is not dependent upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or financial responsibility for ECO SERRC. Financial information can be obtained by contacting ECO SERRC's fiscal agent, Julie Lynch, Treasurer at the Tuscarawas-Carroll-Harrison Educational Service Center, 834 East High Avenue, New Philadelphia, Ohio 44663.

#### **C. Coalition of Rural and Appalachian Schools (CORAS)**

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2007.

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

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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

The Ohio Coalition of Equity and Adequacy of School Funding is organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2007, the Educational Service Center paid \$550 to the Coalition.

### **NOTE 15 - CLAIMS SERVICING POOL**

The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a claims servicing pool comprised of fifty members. Each participant is a member of the assembly. The Plan's business and affairs are conducted by a nine member Board of Director's elected from the OME-RESA's assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

### **NOTE 16 - INSURANCE PURCHASING POOLS**

#### **A. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program. The Educational Service Center's enrollment fee for fiscal year 2007 was \$717.

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

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

**Ohio Valley Educational Service Center, Ohio**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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**NOTE 17- CONTINGENCIES**

**A. Grants**

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2007.

**B. Litigation**

The Educational Service Center is currently not party to any litigation.

**NOTE 18 - SUBSEQUENT EVENTS**

On January 9, 2007 Washington County Educational Service Center approved a merger with Ohio Valley Educational Service Center. On January 18, 2007 the Governing Board of the Ohio Valley Educational Service Center approved the merger with Washington County Educational Service Center to be effective July 1, 2007.

**OHIO VALLEY EDUCATIONAL SERVICE CENTER  
GUERNSEY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Pass-through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed-Through State Department of Education:</i>				
Special Education, Preschool Grants	123281-PG-S1-07	84.173	\$78,827	\$74,418
	123281-PG-S1-06	84.173	4,263	10,340
Total Special Education, Preschool Grants			<u>83,090</u>	<u>84,758</u>
Education for Homeless Children and Youth	123281-HC-S1-07	84.196	35,847	33,462
	123281-HC-A1-06	84.196	38,200	34,337
	123281-HC-S1-06	84.196	5,572	5,980
	123281-HC-SP-06	84.196	4,160	7,023
Total Education for Homeless Children and Youth			<u>83,779</u>	<u>80,802</u>
Administration for Children, Youth and Families - Head Start	123281-HT-A1-07	93.600	224	112
<i>Direct Program:</i>				
Fund for the Improvement of Education	Q215E030215	84.215E	47,122	41,199
Total U.S. Department of Education			214,215	206,871
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed-Through Guernsey County Department of Jobs and Family Services:</i>				
Temporary Assistance for Needy Families				
New Beginning Project	N/A	93.558	198,153	182,019
School Social Workers Project	N/A	93.558	105,020	108,688
After School Intervention Project	N/A	93.558	74,998	74,137
Total Temporary Assistance for Needy Families			<u>378,171</u>	<u>364,844</u>
Total U.S. Department of Health and Human Services			<u>378,171</u>	<u>364,844</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$592,386</u></b>	<b><u>\$571,715</u></b>

*The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**OHIO VALLEY EDUCATIONAL SERVICE CENTER  
GUERNSEY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Educational Service Center's federal award programs. 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*

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

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ohio Valley Educational Service Center, Guernsey County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2007, which collectively comprise the Educational Service Center's basic financial statements and have issued our report thereon dated February 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

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

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

We noted certain matters that we reported to the Educational Service Center's management in a separate letter dated February 14, 2008.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110  
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### **Compliance and Other Matters**

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

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

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

**Mary Taylor, CPA**  
Auditor of State

February 14, 2008



# Mary Taylor, CPA

## Auditor of State

### 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

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

To the Governing Board:

#### Compliance

We have audited the compliance of the Ohio Valley Educational Service Center, Guernsey County, Ohio (the Educational 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 program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Educational Service Center's major federal program. The Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Educational 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 Educational 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 Educational Service Center's compliance with those requirements.

In our opinion, the Educational Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

#### Internal Control Over Compliance

The Educational Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Educational 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 Educational Service Center's internal control over compliance.

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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 Educational Service Center's ability to administer a federal program such that there is more than a remote likelihood that the Educational 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 Educational 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. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the Educational Service Center's management in a separate letter dated February 14, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

February 14, 2008

**OHIO VALLEY EDUCATIONAL SERVICE CENTER  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under ' .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Temporary Assistance for Needy Families, CFDA # 93.558
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





Mary Taylor, CPA  
Auditor of State

OHIO VALLEY EDUCATIONAL SERVICE CENTER

GUERNSEY COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 11, 2008