



Mary Taylor, CPA  
Auditor of State



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds .....	21
Statement of Fiduciary Net Assets – Fiduciary Fund.....	22
Notes to the Basic Financial Statements .....	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	45
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – IDEA VI-B .....	46
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – Miscellaneous Federal Grant.....	47
Budgetary Notes .....	48
Schedule of Federal Awards Expenditures.....	51
Notes to the Schedule of Federal Awards Expenditures .....	52
Independent Accountants' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By <i>Government Auditing Standards</i> .....	53
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 .....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	58

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, Ohio (the Service Center), as of and for the year ended June 30, 2008, which collectively comprise the Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, Ohio, as of June 30, 2008, and the respective changes in financial position and cash flows, thereof in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2009, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

The budgetary schedules for the General, IDEA VI-B, and Miscellaneous Grants Funds are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

April 28, 2009

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

The management's discussion and analysis of the Columbiana County Educational Service Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets of governmental activities decreased \$228,714 from \$847,554 to \$618,840 which represents a 26.99% decrease from 2007.
- General revenues accounted for \$751,902 in revenue or 8.24% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$8,376,494 or 91.76% of total revenues of \$9,128,396
- The Center had \$9,357,110 in expenses related to governmental activities; \$8,376,494 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$751,902 were not adequate to provide for these programs.
- The Center's major governmental funds are the general fund, IDEA VI-B fund, and miscellaneous federal grants fund. The general fund had \$7,733,046 in revenues and \$8,220,075 in expenditures. During fiscal year 2008, the general fund's fund balance decreased \$487,029 from \$583,364 to \$96,335.
- The IDEA VI-B fund had \$808,465 in revenues and \$654,777 in expenditures. During fiscal year 2008, the IDEA VI-B fund's fund balance increased \$153,688 from a deficit of \$104,386 to a balance of \$49,302.
- The miscellaneous federal grant fund had \$242,622 in revenues and \$195,372 in expenditures. During fiscal year 2008, the miscellaneous federal grants fund increased \$47,250 from a deficit of \$68,283 to a deficit of \$21,033.

**Using these Basic Financial Statements**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

**Reporting the Center as a Whole**

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

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

The analysis of the Center's major governmental funds begins on page 9. Fund financial reports provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the general fund, IDEA VI-B fund and miscellaneous federal grants fund.

***Governmental Funds***

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

***Proprietary Fund***

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



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

***Reporting the Center's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

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

***Supplementary Information***

The District has presented a budgetary comparison schedule for the general fund as supplementary information on pages 45 - 49 of this report.

**The Center as a Whole**

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

The table below provides a summary of the Center's net assets at June 30, 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 1,879,847	\$ 1,908,642
Capital assets, net	<u>735,876</u>	<u>772,335</u>
Total assets	<u>2,615,723</u>	<u>2,680,977</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,112,666	952,827
Long-term liabilities	<u>884,217</u>	<u>880,596</u>
Total liabilities	<u>1,996,883</u>	<u>1,833,423</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	297,306	253,104
Restricted	152,825	15,884
Unrestricted	<u>168,709</u>	<u>578,566</u>
Total net assets	<u>\$ 618,840</u>	<u>\$ 847,554</u>

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

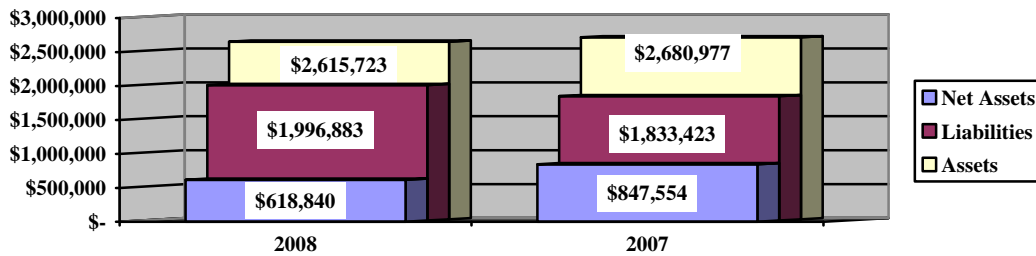
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the Center's assets exceeded liabilities by \$618,840. Of this total, \$168,709 is unrestricted in use.

At year-end, capital assets represented 28.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$297,306. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net assets, \$152,825, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$168,709 may be used to meet the Center's ongoing obligations to the students and creditors.

The table below illustrates the Center's assets, liabilities and net assets at June 30, 2008 and 2007:

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 6,258,385	\$ 6,778,511
Operating grants and contributions	2,116,775	1,872,448
Capital grants and contributions	1,334	-
General revenues:		
Grants and entitlements	587,931	714,754
Investment earnings	33,339	38,412
Other	<u>130,632</u>	<u>229,255</u>
Total revenues	<u>9,128,396</u>	<u>9,633,380</u>

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 660,202	\$ 1,074,851
Special	1,270,074	1,013,678
Vocational	-	138
Other	1,500	-
Support services:		
Pupil	2,216,033	2,088,033
Instructional staff	2,732,455	2,550,233
Board of education	32,342	36,074
Administration	402,224	510,524
Fiscal	179,548	188,338
Operations and maintenance	136,490	93,856
Pupil transportation	594,327	538,211
Central	402,093	411,727
Operations of non-instructional services	2,734	185,335
Intergovernmental pass-through	707,158	773,807
Interest and fiscal charges	<u>19,930</u>	<u>27,452</u>
Total expenses	<u>9,357,110</u>	<u>9,492,257</u>
Change in net assets	(228,714)	141,123
Net assets at beginning of year	<u>847,554</u>	<u>706,431</u>
Net assets at end of year	<u><u>\$ 618,840</u></u>	<u><u>\$ 847,554</u></u>

**Governmental Activities**

Net assets of the Center's governmental activities decreased \$228,714. Total governmental expenses of \$9,357,110 were offset by program revenues of \$8,376,494 and general revenues of \$751,902. Program revenues supported 89.52% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services. This revenue source represents 68.56% of total governmental revenue.

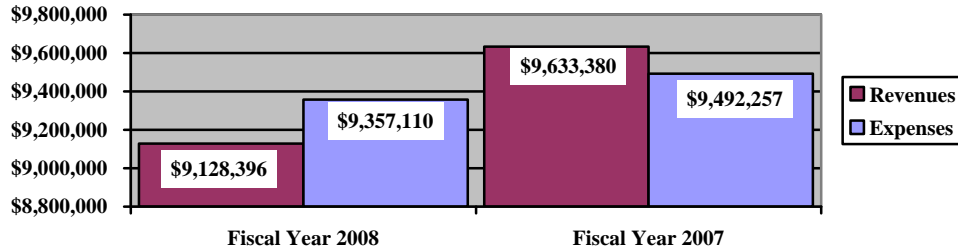
The largest expense of the Center is for instructional staff support services programs. Instructional staff support services expenses totaled \$2,732,455 or 29.20% of total governmental expenses for fiscal year 2008.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

The graph below presents the Center's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2008 and 2007. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 660,202	\$ 333,319	\$ 1,074,851	\$ 394,166
Special	1,270,074	(417,173)	1,013,678	(13,727)
Vocational	-	-	138	138
Other	1,500	296	-	-
Support services:				
Pupil	2,216,033	339,419	2,088,033	(29,548)
Instructional staff	2,732,455	376,052	2,550,233	51,268
Board of education	32,342	32,342	36,074	36,074
Administration	402,224	79,024	510,524	22,857
Fiscal	179,548	166,422	188,338	186,064
Operations and maintenance	136,490	136,490	93,856	93,856
Pupil transportation	594,327	(52,699)	538,211	16,720
Central	402,093	50,829	411,727	18,017
Operations of non-instructional services	2,734	1,758	185,335	56,646
Intergovernmental pass-through	707,158	(85,393)	773,807	(18,685)
Interest and fiscal charges	19,930	19,930	27,452	27,452
<b>Total expenses</b>	<u>\$ 9,357,110</u>	<u>\$ 980,616</u>	<u>\$ 9,492,257</u>	<u>\$ 841,298</u>

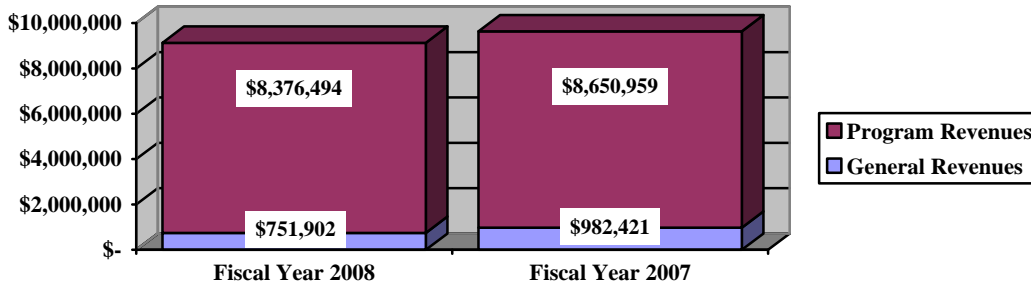
For all governmental activities, program revenue support is 89.52% at June 30, 2008 and 91.14% at June 30, 2007. The Center's charges for services, as a whole, are by far the primary support for Center's students.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

The graph below presents the Center's governmental activities revenue for fiscal year 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The Center's Funds**

The Center's governmental funds reported a combined fund balance of \$121,514, which is less than last year's fund balance of \$428,082. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance/(Deficit) <u>June 30, 2008</u>	Fund Balance/(Deficit) <u>June 30, 2007</u>	Increase/ (Decrease)	Percentage Change
General	\$ 96,335	\$ 583,364	\$ (487,029)	(83.49) %
IDEA VI-B	49,302	(104,386)	153,688	147.23 %
Miscellaneous Federal Grants	(21,033)	(68,283)	47,250	69.20 %
Other Governmental	<u>(3,090)</u>	<u>17,387</u>	<u>(20,477)</u>	(117.77) %
Total	<u>\$ 121,514</u>	<u>\$ 428,082</u>	<u>\$ (306,568)</u>	(71.61) %

**General Fund**

The Center's general fund balance decreased \$487,029.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

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

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Intergovernmental	\$ 1,349,810	\$ 634,308	\$ 715,502	112.80 %
Tuition	5,404,789	4,132,630	1,272,159	30.78 %
Earnings on investments	12,879	18,374	(5,495)	(29.91) %
Services provided to other entities	834,936	2,722,676	(1,887,740)	(69.33) %
Other revenues	<u>130,632</u>	<u>229,255</u>	<u>(98,623)</u>	(43.02) %
Total	<u>\$ 7,733,046</u>	<u>\$ 7,737,243</u>	<u>\$ (4,197)</u>	(0.05) %
<b><u>Expenditures</u></b>				
Instruction	\$ 1,699,416	\$ 1,301,749	\$ 397,667	30.55 %
Support services	6,418,949	5,946,933	472,016	7.94 %
Non-instructional services	1,023	1,015	8	0.79 %
Debt service	<u>100,687</u>	<u>117,622</u>	<u>(16,935)</u>	(14.40) %
Total	<u>\$ 8,220,075</u>	<u>\$ 7,367,319</u>	<u>\$ 852,756</u>	11.57 %

The expenditures of the general fund increased \$852,756 or 11.57%. The most significant increases were in the areas of instructional and support services. Instructional and support services expenditures increased \$397,667 and \$472,016, respectively. These increases are the result of increases in contract wages and increases in employees.

***IDEA VI-B Fund***

The IDEA VI-B fund had \$808,465 in revenues and \$654,777 in expenditures. During fiscal year 2008, the IDEA VI-B fund's fund increased \$153,688 from a deficit of \$104,386 to a balance of \$49,302.

***Miscellaneous Federal Grants Fund***

The miscellaneous federal grant fund had \$242,622 in revenues and \$195,372 in expenditures. During fiscal year 2008, the miscellaneous federal grants fund increased \$47,250 from a deficit of \$68,283 to a deficit of \$21,033.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the Center had \$735,876 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2008 balances compared to June 30, 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 61,900	\$ 61,900
Land improvements	616	1,851
Building and improvements	530,477	570,780
Furniture and equipment	130,904	116,144
Vehicles	11,979	21,660
Total	\$ 735,876	\$ 772,335

The overall decrease in capital assets of \$36,459 is due to depreciation expense of \$82,733 exceeding capital outlays of \$46,274 during the fiscal year.

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

***Debt Administration***

At June 30, 2008, the Center had \$438,570 in loans payable and capital leases outstanding. This entire total is due in one year. The following table summarizes the loans and capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
Capital leases	\$ 2,365	\$ 17,095
Loans payable	436,205	502,136
Total	\$ 438,570	\$ 519,231

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Unaudited)**

**Current Financial Related Activities**

The Center relies heavily on contracts with local, city, and exempted school districts within Columbiana and Mahoning Counties, as well as state foundation revenue, and grants. The request for services from local, city, and exempted school districts, along with the Center's cash balance, will provide the Center with the necessary funds to meet its operating expenses in fiscal year 2009. However, the future financial stability of the Center is not without concerns.

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

Declining enrollment in Columbiana County remains a concern of the Center. State funding is based on average daily membership of Columbiana County school districts. Continued decline in enrollment will have a direct impact on state revenues received by Columbiana County school districts and the amount of services they will need from the Center. The Columbiana County Educational Service Center has made significant personnel reductions to align with the declining revenue.

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

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

**Contacting the Center's Financial Management**

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



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

		<b>Governmental Activities</b>
<hr/>		
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	646,584
Cash with fiscal agent. . . . .		577,892
Receivables:		
Accounts . . . . .		107,235
Intergovernmental . . . . .		544,615
Prepayments . . . . .		3,521
Capital assets:		
Land . . . . .		61,900
Depreciable capital assets, net . . . . .		673,976
Total capital assets, net. . . . .		<u>735,876</u>
 Total assets. . . . .		 <u>2,615,723</u>
<b>Liabilities:</b>		
Accounts payable. . . . .		35,315
Accrued wages and benefits . . . . .		752,799
Pension obligation payable. . . . .		97,703
Intergovernmental payable . . . . .		53,486
Accrued interest payable . . . . .		745
Claims payable. . . . .		172,618
Long-term liabilities:		
Due within one year. . . . .		555,750
Due within more than one year . . . . .		328,467
 Total liabilities . . . . .		 <u>1,996,883</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt. . . . .		297,306
Restricted for:		
State funded programs . . . . .		567
Federally funded programs. . . . .		152,258
Unrestricted. . . . .		<u>168,709</u>
 Total net assets . . . . .	 \$	 <u><u>618,840</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 660,202	\$ -	\$ 326,883	\$ -	\$ (333,319)	
Special . . . . .	1,270,074	1,074,666	612,581	-	417,173	
Other . . . . .	1,500	-	1,204	-	(296)	
Support services:						
Pupil. . . . .	2,216,033	1,855,145	21,469	-	(339,419)	
Instructional staff . . . . .	2,732,455	2,187,006	169,397	-	(376,052)	
Board of education . . . . .	32,342	-	-	-	(32,342)	
Administration. . . . .	402,224	321,137	2,063	-	(79,024)	
Fiscal. . . . .	179,548	-	13,126	-	(166,422)	
Operations and maintenance . . . . .	136,490	-	-	-	(136,490)	
Pupil transportation. . . . .	594,327	496,399	149,293	1,334	52,699	
Central . . . . .	402,093	323,649	27,615	-	(50,829)	
Operation of non-instructional services . . . . .	2,734	383	593	-	(1,758)	
Intergovernmental pass-through. . . . .	707,158	-	792,551	-	85,393	
Interest and fiscal charges . . . . .	19,930	-	-	-	(19,930)	
Total governmental activities . . . . .	\$ 9,357,110	\$ 6,258,385	\$ 2,116,775	\$ 1,334	(980,616)	
<b>General Revenues:</b>						
Grants and entitlements not restricted to specific programs. . . . .						
					587,931	
Investment earnings . . . . .						
					33,339	
Miscellaneous . . . . .						
					130,632	
Total general revenues. . . . .						
					751,902	
Change in net assets . . . . .						
					(228,714)	
<b>Net assets at beginning of year. . . . .</b>						
					847,554	
<b>Net assets at end of year . . . . .</b>						
					\$ 618,840	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>IDEA VI-B</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 581,772	\$ 23	\$ 13,435	\$ 30,876	\$ 626,106
Receivables:					
Accounts . . . . .	107,235	-	-	-	107,235
Intergovernmental . . . . .	-	291,981	220,026	32,608	544,615
Interfund receivable . . . . .	254,559	-	-	-	254,559
Advances to other funds. . . . .	16,578	-	-	-	16,578
Prepayments . . . . .	3,521	-	-	-	3,521
	<u>963,665</u>	<u>292,004</u>	<u>233,461</u>	<u>63,484</u>	<u>1,552,614</u>
Total assets . . . . .	<u>\$ 963,665</u>	<u>\$ 292,004</u>	<u>\$ 233,461</u>	<u>\$ 63,484</u>	<u>\$ 1,552,614</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 32,258	\$ -	\$ -	\$ 2,768	\$ 35,026
Accrued wages and benefits . . . . .	660,221	76,154	3,514	12,910	752,799
Pension obligation payable. . . . .	85,815	9,514	566	1,808	97,703
Intergovernmental payable. . . . .	46,389	5,325	558	1,214	53,486
Interfund payable. . . . .	-	151,709	57,328	45,522	254,559
Advances from other funds. . . . .	-	-	16,578	-	16,578
Deferred revenue. . . . .	42,647	-	175,950	2,352	220,949
Total liabilities . . . . .	<u>867,330</u>	<u>242,702</u>	<u>254,494</u>	<u>66,574</u>	<u>1,431,100</u>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	64,157	-	13,435	21,220	98,812
Reserved for prepayments . . . . .	3,521	-	-	-	3,521
Reserved for advances. . . . .	16,578	-	-	-	16,578
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	12,079	-	-	-	12,079
Special revenue funds. . . . .	-	49,302	(34,468)	(24,310)	(9,476)
Total fund balances (deficit) . . . . .	<u>96,335</u>	<u>49,302</u>	<u>(21,033)</u>	<u>(3,090)</u>	<u>121,514</u>
Total liabilities and fund balances . . . . .	<u>\$ 963,665</u>	<u>\$ 292,004</u>	<u>\$ 233,461</u>	<u>\$ 63,484</u>	<u>\$ 1,552,614</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$	121,514
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			735,876
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Accounts receivable	\$	42,647	
Intergovernmental receivable		178,302	
Total			220,949
Internal service funds are used by management to charge the costs of computer maintenance and self-insurance operations to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.			425,463
In the statement of activities interest is accrued on outstanding loans, whereas in governmental funds, interest expenditures are reported when due.			(745)
Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(445,647)	
Capital lease obligation		(2,365)	
Loans payable		(436,205)	
Total			(884,217)
<b>Net assets of governmental activities</b>		\$	618,840

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>IDEA VI-B</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Tuition. . . . .	\$ 5,404,789	\$ -	\$ -	\$ -	\$ 5,404,789
Earnings on investments. . . . .	12,879	-	-	-	12,879
Services provided to other entities. . . . .	834,936	-	-	-	834,936
Extracurricular. . . . .	-	-	-	1,242	1,242
Other local revenues. . . . .	130,632	-	-	3,168	133,800
Intergovernmental - state. . . . .	1,349,810	-	-	172,431	1,522,241
Intergovernmental - federal . . . . .	-	808,465	242,622	61,299	1,112,386
Total revenues. . . . .	<u>7,733,046</u>	<u>808,465</u>	<u>242,622</u>	<u>238,140</u>	<u>9,022,273</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	439,508	-	119,526	103,841	662,875
Special. . . . .	1,259,908	-	-	3,835	1,263,743
Other. . . . .	-	-	-	1,500	1,500
Support services:					
Pupil. . . . .	2,176,660	-	-	22,905	2,199,565
Instructional staff . . . . .	2,566,035	-	57,741	66,036	2,689,812
Board of education . . . . .	31,958	-	-	-	31,958
Administration. . . . .	376,793	-	-	2,200	378,993
Fiscal . . . . .	169,912	-	6,662	-	176,574
Operations and maintenance. . . . .	135,420	-	-	-	135,420
Pupil transportation . . . . .	582,430	-	-	-	582,430
Central. . . . .	379,741	-	11,443	4,503	395,687
Operation of non-instructional services . . . . .	1,023	-	-	1,711	2,734
Intergovernmental pass-through . . . . .	-	654,777	-	52,086	706,863
Debt service:					
Principal retirement . . . . .	80,661	-	-	-	80,661
Interest and fiscal charges . . . . .	20,026	-	-	-	20,026
Total expenditures . . . . .	<u>8,220,075</u>	<u>654,777</u>	<u>195,372</u>	<u>258,617</u>	<u>9,328,841</u>
Net change in fund balances . . . . .	(487,029)	153,688	47,250	(20,477)	(306,568)
<b>Fund balances (deficits) at beginning of year. . . . .</b>	583,364	(104,386)	(68,283)	17,387	428,082
<b>Fund balances (deficits) at end of year. . . . .</b>	<u>\$ 96,335</u>	<u>\$ 49,302</u>	<u>\$ (21,033)</u>	<u>\$ (3,090)</u>	<u>\$ 121,514</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Net change in fund balances - total governmental funds** \$ (306,568)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital asset additions	\$	46,274	
Current year depreciation		(82,733)	
Total			(36,459)

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

Tuition		17,418	
Intergovernmental		68,245	
Total			85,663

Repayment of the loan and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Loan		65,931	
Capital lease		14,730	
Total			80,661

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, interest is expenses when due. 96

Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (92,205)

The Internal service funds used for self- insurance and computer maintenance are not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. 40,098

**Change in net assets of governmental activities** \$ (228,714)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	<b>Governmental Activities - Internal Service Funds</b>
<b>Assets:</b>	
Current:	
Equity in pooled cash and cash equivalents. . . . .	\$ 20,478
Cash with fiscal agent. . . . .	577,892
Total assets . . . . .	598,370
<b>Liabilities:</b>	
Current:	
Accounts payable. . . . .	289
Claims payable . . . . .	172,618
Total liabilities . . . . .	172,907
<b>Net assets:</b>	
Unrestricted. . . . .	425,463
Total net assets . . . . .	\$ 425,463

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Governmental Activities - Internal Service Funds</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 1,770,588
Total operating revenues . . . . .	<u>1,770,588</u>
<b>Operating expenses:</b>	
Fringe benefits. . . . .	767
Purchased services. . . . .	326,953
Materials and supplies. . . . .	1,476
Other . . . . .	775
Claims . . . . .	1,420,979
Total operating expenses . . . . .	<u>1,750,950</u>
Operating income . . . . .	<u>19,638</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>20,460</u>
Total nonoperating revenues . . . . .	<u>20,460</u>
Change in net assets. . . . .	40,098
<b>Net assets at beginning of year . . . . .</b>	<u>385,365</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 425,463</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>Governmental Activities - Internal Service Funds</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services. . . . .	\$ 1,770,588
Cash payments for personal services . . . . .	(767)
Cash payments for purchased services . . . . .	(326,953)
Cash payments for materials and supplies. . . . .	(1,187)
Cash payments for other expenses . . . . .	(775)
Cash payments for claims . . . . .	(1,400,557)
Net cash provided by operating activities . . . . .	40,349
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	20,460
Net cash provided by investing activities . . . . .	20,460
Net increase in cash and cash equivalents . . . . .	60,809
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>537,561</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 598,370</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 19,638
Changes in assets and liabilities:	
Increase in accounts payable . . . . .	289
Increase in claims payable. . . . .	20,422
Net cash provided by operating activities . . . . .	\$ 40,349

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 14,205
Total assets. . . . .	\$ 14,205
<b>Liabilities:</b>	
Due to students . . . . .	\$ 14,205
Total liabilities . . . . .	\$ 14,205

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER**

The Columbiana County Educational Service Center (the "Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The Center operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the Center's support facilities staffed by 65 non-certified and 69 certified teaching personnel and 5 administrators who provide services to 14,926 students and other community members.

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

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

**A. Reporting Entity**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (ACCESS)

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

*INSURANCE PURCHASING POOL*

Ohio Mid-Eastern Regional Educational Services Agency

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

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

Each year, the participating school districts pay an enrollment fee to Sheakley Uniserve, Inc. to cover the costs of administering the program. The Center paid \$1,957 in administrative fees during fiscal year 2008.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The following are the Center's major governmental funds:

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

IDEA VI-B - This fund is used to account for the pass through of grants to assist states in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary and secondary levels.

Miscellaneous Federal Grants - This fund is used to account for various monies received from federal agencies which are not classified elsewhere in accordance with the Uniform School Accounting System. The grants included here include the Americorps grant and the Safe and drug free schools grant.

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

**PROPRIETARY FUNDS**

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

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

**FIDUCIARY FUNDS**

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

**C. Basis of Presentation and Measurement Focus**

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

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

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**D. Basis of Accounting**

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

*Revenues - Exchange and 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year-end.

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

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

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

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

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

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**E. Budgets**

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

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

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to repurchase agreements which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board, investment earnings are assigned to the general fund and the self-insurance internal service fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$12,879, which includes \$722 assigned from other funds.

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

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

**G. Pass Through Grants**

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



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service funds are reported on the proprietary fund financial statements.

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

**L. Fund Balance Reserves**

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

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**N. Net Assets**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the Center has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Center; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Center.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Center.

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Major funds</u>	<u>Deficit</u>
Miscellaneous federal grants	\$ 21,033
 <u>Nonmajor funds</u>	
Management information systems	42
Opportunity center	192
Miscellaneous State grants	11,131
Preschool incentive grant	1,735

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

**A. Cash on Hand**

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

**B. Cash with Fiscal Agent**

At fiscal year-end, \$577,892 was the balance in the employee benefits fund held by the fiscal agent, however, this amount is not part of the internal cash pool reported on the financial statements as “cash with fiscal agent”. This amount is not included in “Deposits with Financial Institutions” below.

**C. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all Center deposits was \$131,715, exclusive of the \$528,974 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$15,044 of the Center’s bank balance of \$171,291 was exposed to custodial risk as discussed below, while \$156,247 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Center’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Center. The Center has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**D. Investments**

As of June 30, 2008, the Center had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 528,974	\$ 528,974

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Center's \$528,974 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Center. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The Center has no investment policy dealing with investment custodial 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 Center places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Center at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 528,974	100.00

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 131,715
Investments	528,974
Cash on hand	100
Cash with fiscal agent	<u>577,892</u>
Total	<u>\$ 1,238,681</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,224,476
Agency funds	<u>14,205</u>
Total	<u>\$ 1,238,681</u>

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 45,522
General	IDEA VI-B	151,709
General	Miscellaneous federal grants	<u>57,328</u>
Total		<u>\$ 254,559</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- B.** Interfund balances at June 30, 2008 as reported on the fund statements consist of the following advances to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Miscellaneous federal grants	<u>\$ 16,578</u>

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

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

**NOTE 6 - STATE FUNDING**

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

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM- the total number of pupils under the Center's supervision) is apportioned by the State Board of Education from the local school districts to which the Center provides services from payments made under the State's foundation program. Simultaneously, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the Center. In fiscal year 2008, the State Board of Education reduced the Center's funding by approximately 9.8%.

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



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Accounts	\$ 107,235
Intergovernmental	<u>544,615</u>
Total	<u>\$ 651,850</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 61,900	\$ -	\$ -	\$ 61,900
Total capital assets, not being depreciated	<u>61,900</u>	<u>-</u>	<u>-</u>	<u>61,900</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	24,695	-	-	24,695
Buildings and improvements	1,266,281	-	-	1,266,281
Furniture and equipment	383,023	46,274	-	429,297
Vehicles	<u>433,629</u>	<u>-</u>	<u>-</u>	<u>433,629</u>
Total capital assets, being depreciated	<u>2,107,628</u>	<u>46,274</u>	<u>-</u>	<u>2,153,902</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(22,844)	(1,235)	-	(24,079)
Buildings and improvements	(695,501)	(40,303)	-	(735,804)
Furniture and equipment	(266,879)	(31,514)	-	(298,393)
Vehicles	<u>(411,969)</u>	<u>(9,681)</u>	<u>-</u>	<u>(421,650)</u>
Total accumulated depreciation	<u>(1,397,193)</u>	<u>(82,733)</u>	<u>-</u>	<u>(1,479,926)</u>
Governmental activities capital assets, net	<u>\$ 772,335</u>	<u>\$ (36,459)</u>	<u>\$ -</u>	<u>\$ 735,876</u>

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,102
Special	3,237
<u>Support services:</u>	
Pupil	799
Instructional staff	48,292
Board of education	384
Administration	4,209
Fiscal	226
Operations and maintenance	940
Pupil transportation	9,681
Central	<u>12,863</u>
Total depreciation expense	<u>\$ 82,733</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized in the amount of \$44,740. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 for equipment was \$9,305, leaving a current book value of \$35,435. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$14,730 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	<u>\$ 2,393</u>
Total minimum lease payments	2,393
Less: Amount representing interest	<u>(28)</u>
Total	<u>\$ 2,365</u>

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
<b>Governmental activities:</b>					
Loan payable	\$ 502,136	\$ -	\$ (65,931)	\$ 436,205	\$ 436,205
Capital lease obligations	17,095	-	(14,730)	2,365	2,365
Compensated absences	<u>361,365</u>	<u>219,241</u>	<u>(134,959)</u>	<u>445,647</u>	<u>117,180</u>
 Total long-term obligations, governmental activities	 <u>\$ 880,596</u>	 <u>\$ 219,241</u>	 <u>\$ (215,620)</u>	 <u>\$ 884,217</u>	 <u>\$ 555,750</u>

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

The loan payable was issued for the acquisition of the Center's building. The loan was issued on March 12, 2002 and matures with a balloon payment due on March 15, 2009. The loan bears an interest rate of 4.02% and is being repaid from the general fund.

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal on loan</u>	<u>Interest on loan</u>	<u>Total</u>
2009	<u>\$ 436,205</u>	<u>\$ 12,504</u>	<u>\$ 448,709</u>
Total	<u>\$ 436,205</u>	<u>\$ 12,504</u>	<u>\$ 448,709</u>

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the Center contracted with The Hollaway Insurance Company for property insurance, fleet insurance and general liability insurance.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

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

Medical, dental, vision and life insurance is offered to employees through a self-insurance internal service fund. The Center is a member of a claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims in the Center's behalf. The claims liability of \$172,618 reported in the internal service fund at June 30, 2008, is based on an estimate provided by Self Funded Plans, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling claims.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2008	\$ 152,196	\$ 1,420,979	\$ (1,400,557)	\$ 172,618
2007	74,485	1,254,397	(1,176,686)	152,196

**C. Workers' Compensation Group Rating Plan**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$108,814, \$183,511 and \$181,977, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 12 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$436,418, \$427,370 and \$451,078, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$9,358 made by the Center and \$17,070 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The Center's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

The Center's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$77,158, \$90,716 and \$102,674, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,840, \$12,479 and \$14,484, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$33,571, \$32,875 and \$34,698, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 15 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Medical, Dental, Vision and Prescription Drug Insurance**

The Center maintains a health and welfare plan that provides medical, dental, vision and prescription drug card benefits. The monthly family and single premium for medical, dental, vision and life insurance is \$1,505 and \$578, respectively. These premiums are paid to OME-RESA.

**C. Life Insurance**

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



**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Tuition . . . . .	\$ 5,806,802	\$ 5,580,853	\$ 5,580,822	\$ (31)
Earnings on investments . . . . .	18,729	18,000	12,879	(5,121)
Services provided to other entities . . . . .	868,740	834,936	834,936	-
Other local revenue . . . . .	134,559	129,323	130,632	1,309
Intergovernmental - State . . . . .	1,404,459	1,349,810	1,349,810	-
Total revenues . . . . .	<u>8,233,289</u>	<u>7,912,922</u>	<u>7,909,079</u>	<u>(3,843)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	426,194	441,341	421,114	20,227
Special . . . . .	1,205,692	1,248,544	1,205,043	43,501
Support services:				
Pupil . . . . .	2,096,404	2,170,912	2,144,827	26,085
Instructional staff . . . . .	2,529,195	2,619,086	2,569,907	49,179
Board of education . . . . .	28,045	29,042	27,931	1,111
Administration . . . . .	388,308	402,109	389,317	12,792
Fiscal . . . . .	171,598	177,697	175,763	1,934
Operations and maintenance . . . . .	169,853	175,890	169,190	6,700
Pupil transportation . . . . .	643,621	666,496	574,633	91,863
Central . . . . .	411,635	426,265	374,745	51,520
Operation of non-instructional services . . . . .	3,027	3,135	1,063	2,072
Debt service:				
Principal retirement . . . . .	63,668	65,931	65,931	-
Interest and fiscal charges . . . . .	26,238	27,171	26,397	774
Total expenditures . . . . .	<u>8,163,478</u>	<u>8,453,619</u>	<u>8,145,861</u>	<u>307,758</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>69,811</u>	<u>(540,697)</u>	<u>(236,782)</u>	<u>303,915</u>
<b>Other financing sources (uses):</b>				
Advances in . . . . .	45,056	45,056	45,056	-
Advances (out) . . . . .	-	-	(254,557)	(254,557)
Total other financing sources (uses) . . . . .	<u>45,056</u>	<u>45,056</u>	<u>(209,501)</u>	<u>(254,557)</u>
Net change in fund balance . . . . .	114,867	(495,641)	(446,283)	49,358
<b>Fund balance at beginning of year . . . . .</b>	778,735	778,735	778,735	-
<b>Prior year encumbrances appropriated . . . . .</b>	149,306	149,306	149,306	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,042,908</u>	<u>\$ 432,400</u>	<u>\$ 481,758</u>	<u>\$ 49,358</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
IDEA VI-B  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental - Federal . . . . .	\$ -	\$ -	\$ 516,484	\$ 516,484
Total revenues . . . . .	<u>-</u>	<u>-</u>	<u>516,484</u>	<u>516,484</u>
<b>Expenditures:</b>				
Current:				
Intergovernmental pass through . . . . .	811,238	811,238	670,942	140,296
Total expenditures . . . . .	<u>811,238</u>	<u>811,238</u>	<u>670,942</u>	<u>140,296</u>
Excess of expenditures over revenues. . . . .	<u>(811,238)</u>	<u>(811,238)</u>	<u>(154,458)</u>	<u>656,780</u>
<b>Other financing uses:</b>				
Advances in. . . . .	-	-	151,709	151,709
Total other financing uses . . . . .	<u>-</u>	<u>-</u>	<u>151,709</u>	<u>151,709</u>
Net change in fund balance . . . . .	(811,238)	(811,238)	(2,749)	808,489
<b>Fund balance at beginning of year. . . . .</b>	<u>2,772</u>	<u>2,772</u>	<u>2,772</u>	<u>-</u>
<b>Fund balance (deficit) at end of year . . . . .</b>	<u>\$ (808,466)</u>	<u>\$ (808,466)</u>	<u>\$ 23</u>	<u>\$ 808,489</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MISCELLANEOUS FEDERAL GRANTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental - federal. . . . .	\$ -	\$ -	\$ 198,546	\$ 198,546
Total revenues . . . . .	<u>-</u>	<u>-</u>	<u>198,546</u>	<u>198,546</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	209,421	209,421	129,883	79,538
Support services:				
Instructional staff . . . . .	106,509	106,509	62,302	44,207
Administration. . . . .	7,694	7,694	-	7,694
Fiscal . . . . .	6,662	6,662	6,662	-
Central. . . . .	22,886	22,886	11,443	11,443
Operation of non-instructional services . . .	29,088	29,088	27,053	2,035
Total expenditures . . . . .	<u>382,260</u>	<u>382,260</u>	<u>237,343</u>	<u>144,917</u>
Excess of revenues over (under) expenditures. . . . .	<u>(382,260)</u>	<u>(382,260)</u>	<u>(38,797)</u>	<u>343,463</u>
<b>Other financing sources (uses):</b>				
Advances in. . . . .	-	-	57,327	57,327
Advances (out) . . . . .	<u>-</u>	<u>-</u>	<u>(22,581)</u>	<u>(22,581)</u>
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>34,746</u>	<u>34,746</u>
Net change in fund balance . . . . .	(382,260)	(382,260)	(4,051)	378,209
<b>Fund balance at beginning of year. . . . .</b>	2,305	2,305	2,305	-
<b>Prior year encumbrances appropriated . .</b>	1,746	1,746	1,746	-
<b>Fund balance (deficit) at end of year. . . .</b>	<u>\$ (378,209)</u>	<u>\$ (378,209)</u>	<u>\$ -</u>	<u>\$ 378,209</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

**BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**NOTE 1 - BUDGETARY PROCESS**

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

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

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

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

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advance Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY, OHIO**

BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund, IDEA VI-B fund, and the miscellaneous federal grants fund:

	<u>General</u>	<u>IDEA VI-B</u>	<u>Miscellaneous Federal Grants</u>
Budget basis	\$ (446,283)	\$ (2,749)	\$ (4,051)
Net adjustment for revenue accruals	(176,033)	291,981	44,076
Net adjustment for expenditure accruals	(174,228)	16,165	28,536
Net adjustment for other sources/(uses)	209,501	(151,709)	(34,746)
Adjustment for encumbrances	<u>100,014</u>	<u>-</u>	<u>13,435</u>
GAAP basis	<u>\$ (487,029)</u>	<u>\$ 153,688</u>	<u>\$ 47,250</u>

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COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster: Special Education Grants to States (IDEA Part B)	046417-6BSF-2007 046417-6BSF-2008	84.027	68,295 <u>448,189</u>	71,044 <u>599,898</u>
Total IDEA Part B			<u>516,484</u>	<u>670,942</u>
Special Education - Preschool Grant	046417-PGS1-2007 046417-PGS1-2008	84.173	9,314 <u>40,751</u>	8,115 <u>43,009</u>
Total Special Education - Preschool Grant			<u>50,065</u>	<u>51,124</u>
Total Special Education Cluster Grant			566,549	722,066
Safe and Drug Free Grant	046417-T4S1-2005	84.184	-	102
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<b>Direct Assistance:</b>				
Foreign Language Assistance	T293B070048-08 T293B070048-09	84.293	128,320 <u>0</u>	150,312 <u>5,785</u>
Total Foreign Language Assistance			<u>128,320</u>	<u>156,097</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Improving Teacher Quality	046417-TRSP-2006 046417-TRSP-2007	84.367	0 <u>0</u>	0 <u>0</u>
Total Improving Teacher Quality			<u>0</u>	<u>0</u>
<b>Total Department of Education</b>			<u>694,869</u>	<u>878,265</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>				
<i>Passed Through Ohio Corporation for National and Community Service:</i>				
Americorps 2007 Grant	N/A	94.006	52,217	33,687
Americorps 2008 Grant			<u>18,009</u>	<u>34,124</u>
Total Americorps Grant			<u>70,226</u>	<u>67,811</u>
<b>Totals</b>			<u><b>\$765,095</b></u>	<u><b>\$946,076</b></u>

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the 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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, (the Service Center) as of and for the year ended June 30, 2008, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated April 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We also noted certain internal control matters that we reported to the Service Center's management in a separate letter dated April 28, 2009.

### **Compliance and Other Matters**

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

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

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

April 28, 2009



# 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

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

To the Board of Education

### Compliance

We have audited the compliance of Columbiana County Educational Service Center (the Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Service Center's major federal programs. The Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

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

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The Service Center's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Service Center's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

April 28, 2009

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2007-001	Checks with same numbers, checks not issued in sequential number, post dating checks, fiscal clerk has access to the treasurer's signature in Edge software program, receipt numbers in revenue ledger do not agree with receipts numbers in receipt books, and receipts not recorded in sequential date order.	Yes	Finding No Longer Valid



Mary Taylor, CPA  
Auditor of State

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 28, 2009**