

Gallia-Vinton Educational Service Center

Gallia County, Ohio

Single Audit

July 1, 2009 through June 30, 2010

Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

Board of Education
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

We have reviewed the *Independent Auditor's Report* of the Gallia-Vinton Educational Service Center, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Gallia-Vinton Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 6, 2011

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Gallia-Vinton Educational Service Center
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Independent Auditor's Report

Members of the Board
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

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

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

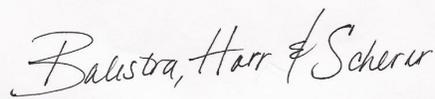
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia-Vinton Educational Service Center, Gallia County, Ohio, as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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2011 on our consideration of the 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.

The Management's Discussion and Analysis on pages 3 through 7 and the Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds on pages 30 through 32 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 Center's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 15 to the financial statements, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 11, 2011

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Gallia-Vinton Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2010 by \$872,372.
- The Center's net assets of governmental activities increased \$27,052.
- General revenues accounted for \$90,907 or 3 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$2,957,905 or 97 percent of total revenues of \$3,048,812.
- The Center had \$3,021,760 in expenses related to governmental activities; \$2,957,905 of these expenses was offset by program specific charges for services and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Gallia-Vinton Educational Service Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies.

All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net assets and changes to those assets. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the Center has only one kind of activity.

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

- **Governmental Activities.** All of the Center's programs and services are reported here including support services, operation and maintenance of plant, and pupil transportation.

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 6. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Gallia-Vinton Educational Service Center's major funds are the General Fund, the IDEA Preschool Grant for the Handicapped Special Revenue Fund, and the Miscellaneous Federal Grants Special Revenue Fund.

Governmental Funds. All 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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE CENTER AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2010 compared to 2009.

Table 1
 Net Assets
 Governmental Activities

	2010	2009
Assets:		
Current and Other Assets	\$995,013	\$936,427
Capital Assets, Net	12,622	11,404
	1,007,635	947,831
Total Assets		
Liabilities:		
Current and Other Liabilities	59,597	54,004
Long-Term Liabilities	75,666	48,507
	135,263	102,511
Total Liabilities		
Net Assets:		
Invested in Capital Assets	12,622	11,404
Restricted for Other Purposes	662	1,845
Unrestricted	859,088	832,071
	\$872,372	\$845,320
Total Net Assets		

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Total net assets of the Center as a whole increased \$27,052. The increase to net assets is primarily due to an increase in cash on hand at June 30, 2010 and is partially offset by an increase in long-term liabilities for compensated absences.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2010 as compared with 2009.

Table 2
 Changes in Net Assets
 Governmental Activities

	2010	2009
Revenues		
Program Revenues:		
Charges for Services	\$1,470,561	\$949,203
Operating Grants & Contributions	1,487,344	1,434,681
Total Program Revenues	2,957,905	2,383,884
General Revenues:		
Grants and Entitlements Not Restricted	53,433	169,421
Investment Earnings	35,344	32,459
Miscellaneous	2,130	54,408
Total General Revenues	90,907	256,288
Total Revenues	3,048,812	2,640,172
Program Expenses		
Instruction:		
Regular	782,989	574,442
Special	59,439	115,117
Support Services:		
Pupil	233,356	257,134
Instructional Staff	891,185	861,257
Board of Education	34,204	35,633
Administration	652,195	490,431
Fiscal	67,338	67,286
Operation and Maintenance of Plant	48,203	16,700
Pupil Transportation	211,278	163,905
Central	20,472	18,879
Operation of Non-Instructional Services	21,101	16,357
Total Expenses	3,021,760	2,617,141
Increase in Net Assets	27,052	23,031
Net Assets at Beginning of Year	845,320	822,289
Net Assets at End of Year	\$872,372	\$845,320

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Governmental Activities

Charges for services comprised 48 percent of revenue, while operating grants and contributions comprised 49 percent of revenue for governmental activities of the Gallia-Vinton Educational Service Center for fiscal year 2010. The increase in charges for services was primarily a result of increased revenue for services provided to local school districts related to the 21st Century program and after school program. The increase in operating grants and contributions was primarily due to an increase in intergovernmental revenue for the 21st Century program and ARRA stimulus funds received by the Center during fiscal year 2010. These increases were partially offset by a decrease in intergovernmental revenue for the Help Me Grow program.

As indicated by governmental program expenses, regular instruction and support services for the benefit of the instructional staff and administration is emphasized. Regular instruction, instructional staff support services and administration support services comprised 26 percent, 29 percent and 22 percent of governmental program expenses, respectively. The most significant increases were seen in expenses for regular instruction and administration which are directly related to the increase in charges for services and operating grants.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2010 as compared with 2009. That is, it identifies the cost of these services supported by unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$842,428	\$6,930	\$689,559	\$14,800
Support Services	2,158,231	60,154	1,911,225	220,995
Operation of Non- Instructional	21,101	(3,229)	16,357	(2,538)
Total Expenses	\$3,021,760	\$63,855	\$2,617,141	\$233,257

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$3,073,231 and expenditures and other financing uses of \$2,995,909. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased in the amount of \$61,338. This increase was primarily due to an increase revenues related to the 21st Century Grant and after school programs.

The fund balance of the IDEA Preschool Grant for the Handicapped Fund increased \$17,164 and had a (\$9,044) balance at June 30, 2010. This negative fund balance was due to a reimbursement grant for which expenditures had been made prior to June 30, 2010, but the reimbursement had not yet been received at year end and was not received during the available period.

The Miscellaneous Federal Grants fund had a \$0 balance at June 30, 2010. The Center spends all monies in this fund by fiscal year end as required by grant agreement.

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the Center had \$12,622 invested in its capital assets. Table 4 shows the fiscal year 2010 balances compared to 2009.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

Governmental Activities

	2010	2009
Furniture and Equipment	<u>\$12,622</u>	<u>\$11,404</u>
Totals	<u><u>\$12,622</u></u>	<u><u>\$11,404</u></u>

Changes in capital assets from the prior year resulted from additions and depreciation. See Note 4 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2010, the Center did not have any outstanding debt obligations. See Note 9 to the basic financial statements for more detailed information related to other long-term obligations.

ECONOMIC FACTORS

The Center relies heavily on grants for its funding. It received the 21st Century Grant and the IDEA Preschool Grant for the Handicapped in fiscal year 2010. The Center is continually applying for new grants.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lily Blevins, Treasurer, Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

Gallia-Vinton Educational Service Center

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 971,974
Accounts Receivable	500
Intergovernmental Receivable	22,539
Noncurrent Assets:	
Depreciable Capital Assets, net	<u>12,622</u>
<i>Total Assets</i>	<u>1,007,635</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	4,901
Accrued Wages and Benefits	24,136
Intergovernmental Payable	30,560
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	3,796
Due in More Than One Year	<u>71,870</u>
<i>Total Liabilities</i>	<u>135,263</u>
NET ASSETS:	
Invested in Capital Assets	12,622
Restricted for Other Purposes	662
Unrestricted	<u>859,088</u>
<i>Total Net Assets</i>	<u>\$ 872,372</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 782,989	\$ 249,973	\$ 526,256	\$ (6,760)
Special	59,439	-	59,269	(170)
Support Services:				
Pupil	233,356	236,087	3,193	5,924
Instructional Staff	891,185	486,058	409,427	4,300
Board of Education	34,204	29,637	33	(4,534)
Administration	652,195	273,470	336,657	(42,068)
Fiscal	67,338	43,109	19,310	(4,919)
Operation and Maintenance of Plant	48,203	30,984	13,371	(3,848)
Pupil Transportation	211,278	106,424	90,504	(14,350)
Central	20,472	9,430	10,383	(659)
Operation of Non-Instructional Services	21,101	5,389	18,941	3,229
<i>Totals</i>	<u>\$ 3,021,760</u>	<u>\$ 1,470,561</u>	<u>\$ 1,487,344</u>	<u>(63,855)</u>
General Revenues				
				53,433
Grants and Entitlements not Restricted to Specific Programs				35,344
Investment Earnings				2,130
Miscellaneous				<u>90,907</u>
<i>Total General Revenues</i>				<u>90,907</u>
<i>Change in Net Assets</i>				27,052
<i>Net Assets Beginning of Year</i>				<u>845,320</u>
<i>Net Assets End of Year</i>				<u>\$ 872,372</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center

*Balance Sheet
Governmental Funds
June 30, 2010*

	General Fund	IDEA Preschool Grant for the Handicapped	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	\$ 971,312	\$ -	\$ -	\$ 662	\$ 971,974
Accounts Receivable	500	-	-	-	500
Interfund Receivable	22,539	-	-	-	22,539
Intergovernmental Receivable	-	11,709	10,830	-	22,539
<i>Total Assets</i>	<u>\$ 994,351</u>	<u>\$ 11,709</u>	<u>\$ 10,830</u>	<u>\$ 662</u>	<u>\$ 1,017,552</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 4,901	\$ -	\$ -	\$ -	\$ 4,901
Accrued Wages and Benefits	22,848	1,288	-	-	24,136
Interfund Payable	-	11,709	10,830	-	22,539
Intergovernmental Payable	22,804	7,756	-	-	30,560
<i>Total Liabilities</i>	<u>50,553</u>	<u>20,753</u>	<u>10,830</u>	<u>-</u>	<u>82,136</u>
FUND BALANCES:					
Unreserved, Undesignated, Reported in:					
General Fund	943,798	-	-	-	943,798
Special Revenue Funds	-	(9,044)	-	662	(8,382)
<i>Total Fund Balances</i>	<u>943,798</u>	<u>(9,044)</u>	<u>-</u>	<u>662</u>	<u>935,416</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 994,351</u>	<u>\$ 11,709</u>	<u>\$ 10,830</u>	<u>\$ 662</u>	<u>\$ 1,017,552</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2010*

Total Governmental Fund Balances \$ 935,416

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,622

Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	<u>(75,666)</u>	
Total		<u>(75,666)</u>

Net Assets of Governmental Activities \$ 872,372

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	IDEA Preschool Grant for the Handicapped	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Intergovernmental	\$ 167,199	\$ 154,256	\$ 1,248,800	\$ 107,118	\$ 1,677,373
Interest	35,344	-	-	-	35,344
Contract Services	142,486	-	-	-	142,486
Customer Sales and Services	1,215,808	-	-	-	1,215,808
Miscellaneous	2,130	-	-	-	2,130
<i>Total Revenues</i>	<u>1,562,967</u>	<u>154,256</u>	<u>1,248,800</u>	<u>107,118</u>	<u>3,073,141</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	249,452	-	502,588	30,949	782,989
Special	-	59,439	-	-	59,439
Support Services:					
Pupil	226,210	-	-	3,000	229,210
Instructional Staff	479,356	59,326	308,453	44,050	891,185
Board of Education	34,204	-	-	-	34,204
Administration	290,893	5,707	308,800	25,000	630,400
Fiscal	48,488	-	18,850	-	67,338
Operation and Maintenance of Plant	35,493	12,710	-	-	48,203
Pupil Transportation	120,733	-	90,545	-	211,278
Central	10,589	-	9,883	-	20,472
Operation of Non-Instructional Services	6,121	-	9,681	5,299	21,101
<i>Total Expenditures</i>	<u>1,501,539</u>	<u>137,182</u>	<u>1,248,800</u>	<u>108,298</u>	<u>2,995,819</u>
Excess of Revenues Over (Under) Expenditures	61,428	17,074	-	(1,180)	77,322
<i>Other Financing Sources and Uses:</i>					
Transfers In	-	90	-	-	90
Transfers Out	(90)	-	-	-	(90)
<i>Total Other Financing Sources and Uses</i>	<u>(90)</u>	<u>90</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net Changes in Fund Balances</i>	61,338	17,164	-	(1,180)	77,322
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>882,460</u>	<u>(26,208)</u>	<u>-</u>	<u>1,842</u>	<u>858,094</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 943,798</u>	<u>\$ (9,044)</u>	<u>\$ -</u>	<u>\$ 662</u>	<u>\$ 935,416</u>

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center
*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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ 77,322

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

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

Capital Asset Additions	4,636	
Current Year Depreciation	(3,418)	
Total	1,218	1,218

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

Intergovernmental	(136,596)	
Customer Sales and Services	112,267	
Total	(24,329)	(24,329)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences		(27,159)
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Net Change in Net Assets of Governmental Activities \$ 27,052

The notes to the basic financial statements are an integral part of this statement.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE ENTITY

Description of the Educational Service Center:

The Gallia-Vinton 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 is a County Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The Center is an administrative entity providing supervision and certain other services to the local school districts located in Gallia and Vinton Counties. It currently operates under a Governing Board form of government consisting of three (3) members elected from Vinton County and four (4) members elected from Gallia County.

Reporting Entity:

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the 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.

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; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2010, the Center had no component units.

The following other jointly governed organizations, which perform activities within the Center's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the Center is not financially accountable for these entities nor are they fiscally dependent on the Center.

Southeast Ohio Voluntary Education Cooperative (SEOVEC)
Gallia-Jackson-Vinton Joint Vocational School District
Gallia County Local School District
Vinton County Local School District

The Center also participates in one public entity risk pool:

Ohio School Boards Association Workers' Compensation Group Rating Program

These jointly governed organizations and the public entity risk pool are presented in Note 10 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Center's major governmental funds:

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

Miscellaneous Federal Grants Fund – The Miscellaneous Federal Grants Fund is used to account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere.

IDEA Preschool Grant for the Handicapped Fund – The IDEA Preschool Grant for the Handicapped Fund is used to account for monies received for the improvement and expansion of services for handicapped children.

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting:

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

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

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. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources 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 60 days of year-end.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange 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 that specify the year when the resources are required to be used or the fiscal year when use is first permitted. Eligibility requirements also include 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 non-exchange 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 year-end: interest, tuition, and grants.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The focus of modified accrual basis 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, except for the costs of accumulated unpaid vacation, personal leave and sick leave. They are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

D. Cash and Cash Equivalents

Cash received by the Center is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Each fund's interest of the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Interest earned amounted to \$35,344 which was recorded in the General Fund. During fiscal year 2010, the Center did not have any investments.

E. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets 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 retirements 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. The Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture and Equipment	5-10 years

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate its employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and the employees the Center has identified as probable of receiving payment in the future. The Center records an accrual for sick leave for all employees with six years or more of service. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the Center's severance policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements and payments made in lieu of vacation. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

G. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

As of June 30, 2010, there were no net assets restricted by enabling legislation.

I. Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance which is not available for current appropriation or is legally segregated for a specific use. The Center had no fund balance reserves as of June 30, 2010. The unreserved, undesignated portions of fund balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

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

K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

L. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Center 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Center's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2010, the Center's bank balance of \$1,076,690 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above. As of June 30, 2010, the Center had no investments.

NOTE 4 - CAPITAL ASSETS

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

	Ending Balance 6/30/2009	Additions	Deletions	Ending Balance 6/30/2010
Governmental Activities				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 27,817	\$ 4,636	\$ -	\$ 32,453
Total Capital Assets Being Depreciated	27,817	4,636	-	32,453
Less Accumulated Depreciation:				
Furniture and Equipment	(16,413)	(3,418)	-	(19,831)
Total Accumulated Depreciation	(16,413)	(3,418)	-	(19,831)
Total Capital Assets Being Depreciated, Net	11,404	1,218	-	12,622
Governmental Activities Capital Assets, Net	\$ 11,404	\$ 1,218	\$ -	\$ 12,622

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Administration	\$ 3,418
Total Depreciation Expense	\$ 3,418

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the Center contracted with The Grange Mutual Casualty Company for property insurance coverage. The policies include a \$500 deductible.

Professional and general liability is protected by the Schools of Ohio Risk Sharing Authority with a \$12,000,000 single occurrence limit with a \$14,000,000 aggregate and no deductible.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - RISK MANAGEMENT (Continued)

The Center pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

The Center has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

B. Workers Compensation

For the fiscal year 2010, the Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Sheakley Uniservice provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The Center provides health, major medical, prescription drug and dental insurance for all eligible employees through Anthem Blue Cross/Blue Shield Insurance Company. The Center pays monthly premiums of \$604.14 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. Employees have the option to purchase coverage for family members at their own expense.

The Center provides life insurance and accidental death and dismemberment insurance to some employees through Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator with a maximum coverage of \$181,000.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, at www.ohsers.org, under *Employer/Audit Resources*.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$25,352, \$27,924, and \$24,748, respectively; 58 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$10,691 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$54,074, \$65,150, and \$48,926, respectively; 74 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. \$13,873 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, none of the members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 7 – POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$3,987, \$4,320, and \$3,789 for fiscal years 2010, 2009, and 2008, respectively, which were equal to the required allocations for each year.

School Employees Retirement System

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

B. Postemployment Benefits (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the Center, contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$971, \$1,284, and \$1,188, which were equal to the required contributions for each year.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Center, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$3,142, \$9,189, and \$7,808, respectively, which were equal to the required allocations for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 8 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month and may accumulate up to 15 days per year. Upon retirement, after six (6) years of service, any employee will receive payment for one-fourth of accrued sick leave up to a maximum of fifty (50) days.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Center during fiscal year 2010 were as follows:

	Balance Outstanding <u>At June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>At June 30, 2010</u>	Amount Due in <u>One Year</u>
Compensated Absences	\$48,507	\$66,222	\$39,063	\$75,666	\$3,796

Compensated absences will be paid from the fund from which the employee is paid with the General Fund being the primary fund to make such payments.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS & PUBLIC ENTITY RISK POOL

A. Jointly Governed Organizations

Southeast Ohio Voluntary Education Cooperative – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Centers. SEOVEC has 28 participants consisting of 25 Centers and 3 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to Southeast Ohio Voluntary Educational Consortium, Robert Lindsey, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

Gallia-Jackson-Vinton Joint Vocational School District – Gallia-Jackson-Vinton Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School, Donalyn Smith, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

B. Public Entity Risk Pool

Ohio School Boards Association Workers' Compensation Group Rating Program – The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 11 - CONTINGENCIES

Grants:

The Center received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2010.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 – INTERFUND ACTIVITY

Interfund Advances

As of June 30, 2010, receivables and payables that resulted from an interfund transaction were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$ 22,539	\$ -
IDEA Preschool Grant for the Handicapped Fund	-	11,709
Miscellaneous Federal Grants Fund	-	10,830
Total Major Funds	<u>22,539</u>	<u>22,539</u>
 Total All Funds	 <u>\$ 22,539</u>	 <u>\$ 22,539</u>

The General Fund made an advance to the IDEA Preschool Grant for the Handicapped Special Revenue Fund and the Miscellaneous Federal Grants Fund of the Center in anticipation of grant monies to be received by these funds.

Transfers

Transfers made during the year ended June 30, 2010, were as follows:

	<u>Transfer From</u>	<u>Transfer To</u>
Major Funds:		
General Fund	\$ 90	\$ -
IDEA Preschool Grant for the Handicapped Fund	-	90
Total Major Funds	<u>90</u>	<u>90</u>
 Total All Funds	 <u>\$ 90</u>	 <u>\$ 90</u>

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 13 – RECEIVABLES

Receivables at June 30, 2010, consisted of accounts receivable, interfund receivables, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Funds:	
IDEA Preschool Grant for the Handicapped	\$11,709
Miscellaneous Federal Grants	<u>10,830</u>
Total All Funds	<u>\$22,539</u>

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 – ACCOUNTABILITY

At June 30, 2010, the IDEA Preschool Grant for the Handicapped Special Revenue Funds had a fund balance deficit of \$9,044, which was created by the application of accounting principles generally accepted in the United States of America.

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the Center has implemented Governmental Accounting Standard Boards (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

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

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

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

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

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

	Budget Amounts			Variance With Final Budget Over/(Under)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 146,267	\$ 168,699	\$ 168,699	\$ -
Interest	32,507	35,344	35,344	-
Customer Sales and Services	1,358,294	1,358,294	1,358,294	-
Miscellaneous	26,991	20,554	1,630	(18,924)
<i>Total Revenues</i>	<u>1,564,059</u>	<u>1,582,891</u>	<u>1,563,967</u>	<u>(18,924)</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	173,480	249,452	(75,972)
Support Services:				
Pupil	217,200	232,799	227,799	5,000
Instructional Staff	540,338	582,159	474,756	107,403
Board of Education	54,575	34,406	34,406	-
Administration	193,000	315,301	297,095	18,206
Fiscal	45,400	46,757	46,757	-
Operation and Maintenance of Plant	53,000	35,493	35,493	-
Pupil Transportation	40,000	102,568	120,733	(18,165)
Central	11,200	10,589	10,589	-
Operation of Non-instructional Services	-	1,657	6,121	(4,464)
<i>Total Expenditures</i>	<u>1,154,713</u>	<u>1,535,209</u>	<u>1,503,201</u>	<u>32,008</u>
Excess of Revenues Over (Under) Expenditures	<u>409,346</u>	<u>47,682</u>	<u>60,766</u>	<u>13,084</u>
OTHER FINANCING SOURCES (USES):				
Advances In	(10,477)	53,345	53,845	500
Transfers Out	-	(90)	(90)	-
Advances Out	(50,868)	(16,539)	(22,539)	(6,000)
Total Other Financing Sources (Uses)	<u>(61,345)</u>	<u>36,716</u>	<u>31,216</u>	<u>(5,500)</u>
Net Change in Fund Balance	348,001	84,398	91,982	7,584
Fund Balance at Beginning of Year	<u>879,330</u>	<u>879,330</u>	<u>879,330</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,227,331</u>	<u>\$ 963,728</u>	<u>\$ 971,312</u>	<u>\$ 7,584</u>

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
IDEA Preschool Grant for the Handicapped Fund
For the Fiscal Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 193,555	\$ 171,973	\$ 171,973	\$ -
<i>Total Revenues</i>	193,555	171,973	171,973	-
EXPENDITURES:				
Current:				
Instruction:				
Special	193,555	53,262	53,262	-
Support Services:				
Instructional Staff	-	58,248	58,248	-
Administration	-	5,707	5,707	-
Operation and Maintenance of Plant	-	12,710	12,710	-
<i>Total Expenditures</i>	193,555	129,927	129,927	-
Excess of Revenues Over (Under) Expenditures	-	42,046	42,046	-
OTHER FINANCING SOURCES (USES):				
Transfers In	-	90	90	-
Advances In	-	11,709	11,709	-
Advances Out	-	(53,845)	(53,845)	-
<i>Total Other Financing Sources (Uses)</i>	-	(42,046)	(42,046)	-
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Miscellaneous Federal Grant Fund
For the Fiscal Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,316,650	\$ 1,244,565	\$ 1,237,970	\$ (6,595)
<i>Total Revenues</i>	1,316,650	1,244,565	1,237,970	(6,595)
EXPENDITURES:				
Current:				
Instruction:				
Regular	529,819	502,588	502,588	-
Support Services:				
Instructional Staff	325,165	308,453	308,453	-
Administration	325,531	308,800	308,800	-
Fiscal	19,871	18,850	18,850	-
Pupil Transportation	95,451	90,545	90,545	-
Central	10,418	9,883	9,883	-
Operation of Non-instructional Services	10,395	9,681	9,681	-
<i>Total Expenditures</i>	1,316,650	1,248,800	1,248,800	-
Excess of Receipts Over (Under) Disbursements	-	(4,235)	(10,830)	(6,595)
OTHER FINANCING SOURCES:				
Advances In	-	4,235	10,830	6,595
Total Other Financing Sources	-	4,235	10,830	6,595
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2010

Note 1 – Budgetary Process

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

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

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 Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the 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 schedules 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 schedules 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 accounting principles generally accepted in the United States of America (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – for the General Fund, IDEA Preschool Grant for the Handicapped, and the Miscellaneous Federal Grant Special Revenue Funds 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. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
4. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

Gallia-Vinton Educational Service Center
Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2010

Note 2 – Budgetary Basis of Accounting *(Continued)*

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis schedules for the General Fund and the IDEA Preschool Grant for the Handicapped Special Revenue Fund. The Miscellaneous Federal Grant Special Revenue Fund had no difference between GAAP and budgetary basis.

	Net Changes in Fund Balances	
	General	IDEA Preschool Grant for the Handicapped
GAAP Basis	\$ 61,338	\$ 17,164
Adjustments:		
Revenue Accruals	1,000	17,717
Expenditure Accruals	(1,662)	7,255
Advances In	53,845	11,709
Advances Out	(22,539)	(53,845)
Budget Basis	\$ 91,982	\$ -

Gallia-Vinton Educational Service Center
Gallia County
Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through Ohio Department of Education</i>				
National School Lunch Program	3L60	10.555	\$ 4,118	\$ 4,118
Total United States Department of Agriculture			4,118	4,118
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	3M00	84.010	1,500	1,500
Fund for the Improvement of Educator	N/A	84.215	166,650	166,650
Twenty-First Century Community Learning Centers	3Y20	84.287	971,966	971,966
Mathematics and Science Partnerships	3D20	84.366	45,288	45,288
Improving Teacher Quality State Grants	3Y60	84.367	100,000	100,000
Total United States Department of Education			1,285,404	1,285,404
Total Federal Financial Assistance			\$ 1,289,522	\$ 1,289,522

N/A - Not Available

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

Gallia-Vinton Educational Service Center
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting.



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

Members of the Board
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Center) as of and for the year ended June 30, 2010, which collectively comprise Center's basic financial statements and have issued our report thereon dated February 11, 2011, wherein we noted that the Center implemented GASB Statements No. 51, No. 53, No. 57, and No. 58. 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 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 Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the 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 such 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, federal awarding agencies, pass-through entities and others within the Center. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 11, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

Compliance

We have audited the compliance of Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly affect Gallia-Vinton Educational Service Center's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The 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 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 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 Center's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, the Gallia-Vinton Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-001.

Internal Control Over Compliance

The 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 Center's internal control over compliance with the requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

The Center's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Center's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
February 11, 2011

Gallia-Vinton Educational Service Center
 Schedule of Findings
 OMB CIRCULAR A-133 SECTION .505
 June 30, 2010

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Program(s) (list):	Twenty-First Century Community Learning Centers CFDA#84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-001
CFDA Title and Number	Twenty-First Century Community Learning Centers CFDA#84.287
Federal Award Year	2009-2010
Federal Agency	United States Department of Education

Noncompliance Citation – Reporting

Circular A-133 and Title 31 of the United States Code requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Center did not submit the required reports within this time frame for fiscal year 2009.

The Center should ensure that the audits required by Circular A-133 are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, the Center should promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

Corrective Action Plan for Finding 2010-001:

Finding Control Number: 2010-001

Summary of Finding: The Center did not submit the data collection form and reporting package within the required time frame for fiscal year 2009.

Statement of Concurrence: The Center is aware of Finding 2010-001 and agrees that the finding as stated is correct.

Corrective Action: The Center is working closely with its independent public accountant to ensure that all appropriate deadlines are met. The Center will ensure that this deadline is complied with for 2010 and all future years.

Contact Person: The official responsible for completing the corrective action is listed below:

Lily Blevins
Treasurer
Phone: (740) 245-0593
Fax: (740) 245-0596
Email: 90_lblevins@seovec.org



Dave Yost • Auditor of State

GALLIA VINTON EDUCATIONAL SERVICE CENTER

GALLIA 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 5, 2011**