

***JEFFERSON COUNTY  
EDUCATIONAL SERVICE CENTER***

***JEFFERSON COUNTY, OHIO***

**Audit Report**

**For the Year Ended June 30, 2009**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





# Dave Yost • Auditor of State

Board of Directors  
Jefferson County Educational Service Center  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

We have reviewed the *Independent Accountants' Report* of the Jefferson County Educational Service Center, Jefferson County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Jefferson County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 1, 2011

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**Jefferson County Educational Service Center**  
**Jefferson County, Ohio**  
**Audit Report**  
**For the Year Ended June 30, 2009**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT ACCOUNTANTS' REPORT**

Jefferson County Educational Service Center  
Jefferson County  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County Educational Service Center, Jefferson County, Ohio (the Center), as of and for the year ended June 30, 2009, 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 an opinion on these basic 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

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 Center as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 12 and the supplementary information on pages 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2010 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, grants 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 results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

December 29, 2010

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

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

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities increased \$1,223,629 which represents a 46.70% increase from 2008.
- General revenues accounted for \$926,440 in revenue or 12.80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,311,454 or 87.20% of total revenues of \$7,237,894.
- The ESC had \$6,014,265 in expenses related to governmental activities; \$6,311,454 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$926,440 were adequate to provide for these programs.
- The ESC's major governmental funds are the general fund and the miscellaneous State grants fund. The general fund had \$6,509,215 in revenues and \$5,616,385 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$892,830 from \$1,913,742 to \$2,806,572.
- The miscellaneous State grants fund had \$201,389 in revenues and \$199,450 in expenditures. During fiscal year 2009, the miscellaneous State grants fund's fund balance increased \$1,939 from \$29,157 to \$31,096.

**Using the Basic Financial Statements (BFS)**

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

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

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

**Reporting the ESC as a Whole**

*Statement of Net Assets and the Statement of Activities*

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

These two statements report the ESC's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the ESC as a whole, the financial position of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include increased or decreased services desired by school districts, state budget cuts, required educational programs and other factors.

In the statement of net assets and statement of activities, the Governmental Activities include the ESC's programs and services, including instruction, support services, and other operations.

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

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

*Fund Financial Statements*

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

*Governmental Funds*

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

*Proprietary Funds*

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

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

***Reporting the ESC's Fiduciary Responsibilities***

The ESC is the fiscal agent of the area A-site, Ohio Mid-Eastern Regional Education Service Agency ("OME-RESA"). This activity is presented as fiduciary funds. The ESC is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The ESC also maintains agency funds to account for monies due to other governments, individuals or private organizations. All of the ESC's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 22 and 23. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-45 of this report.

**The ESC as a Whole**

The table below provides a summary of the ESC's net assets for fiscal years 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities 2009	Governmental Activities 2008
<b><u>Assets</u></b>		
Current and other assets	\$ 4,212,708	\$ 2,950,489
Capital assets, net	<u>293,203</u>	<u>310,273</u>
Total assets	<u>4,505,911</u>	<u>3,260,762</u>
<b><u>Liabilities</u></b>		
Current liabilities	457,443	411,150
Long-term liabilities	<u>204,599</u>	<u>229,372</u>
Total liabilities	<u>662,042</u>	<u>640,522</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	292,483	305,429
Restricted	50,529	45,932
Unrestricted	<u>3,500,857</u>	<u>2,268,879</u>
Total net assets	<u>\$ 3,843,869</u>	<u>\$ 2,620,240</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the ESC's assets exceeded liabilities by \$3,843,869. Of this total, \$50,529 is restricted in use.

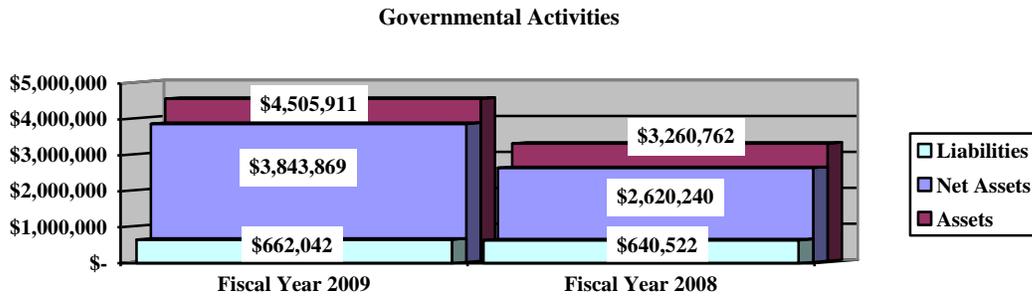
**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

At year-end, capital assets represented 6.51% of total assets. Capital assets include land, buildings, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets, at June 30, 2009 were \$292,483. These capital assets are used to provide the ESC's services and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$50,529, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,500,857 may be used to meet the ESC's ongoing obligations to the students and creditors.

The graph below presents the ESC's governmental assets, liabilities and net assets for fiscal years 2009 and 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 5,464,386	\$ 5,102,532
Operating grants and contributions	847,068	855,362
General revenues:		
Grants and entitlements	876,327	801,692
Investment earnings	50,113	76,261
Total revenues	<u>7,237,894</u>	<u>6,835,847</u>

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JEFFERSON COUNTY, OHIO**

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

**Change in Net Assets**

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 472,929	\$ 649,478
Special	404,002	379,906
Other	6,200	6,000
Support services:		
Pupil	1,231,730	1,218,895
Instructional staff	2,707,498	2,902,145
Board of education	17,459	18,213
Administration	899,125	909,291
Fiscal	254,768	210,268
Operations and maintenance	12,413	12,598
Central	4,987	5,331
Operations of non-instructional services	2,916	7,263
Interest and fiscal charges	<u>238</u>	<u>555</u>
Total expenses	<u>6,014,265</u>	<u>6,319,943</u>
Change in net assets	1,223,629	515,904
Net assets at beginning of year	<u>2,620,240</u>	<u>2,104,336</u>
Net assets at end of year	<u>\$ 3,843,869</u>	<u>\$ 2,620,240</u>

**Governmental Activities**

Net assets of the ESC's governmental activities increased \$1,223,629. Total governmental expenses of \$6,014,265 were offset by program revenues of \$6,311,454 and general revenues of \$926,440. Program revenues supported all of the total governmental expenses.

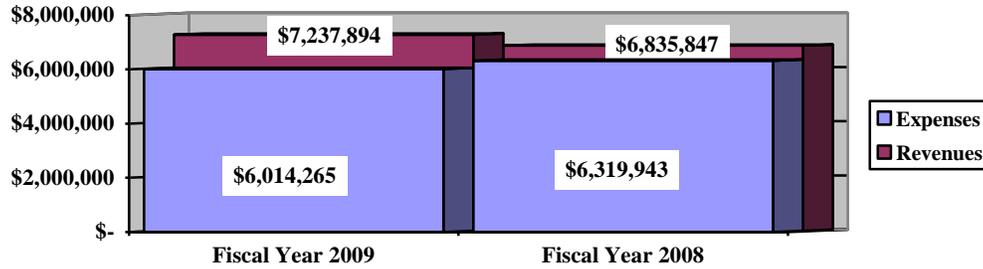
The primary sources of revenue for governmental activities are derived from contracted fees for services provided to other entities. This revenue source represents 75.50% of total governmental revenue.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

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

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements, and other general revenues not restricted to a specific program.

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 472,929	\$ (12,259)	\$ 649,478	\$ 138,607
Special	404,002	(31,616)	379,906	(30,534)
Other	6,200	(3)	6,000	191
Support services:				
Pupil	1,231,730	(146,755)	1,218,895	(11,788)
Instructional staff	2,707,498	(122,549)	2,902,145	168,718
Board of education	17,459	(2,015)	18,213	(695)
Administration	899,125	(1,561)	909,291	65,902
Fiscal	254,768	5,711	210,268	15,145
Operations and maintenance	12,413	12,017	12,598	12,598
Central	4,987	(1,013)	5,331	(669)
Operations of non-instructional services	2,916	2,616	7,263	4,019
Interest and fiscal charges	238	238	555	555
<b>Total</b>	<u>\$ 6,014,265</u>	<u>\$ (297,189)</u>	<u>\$ 6,319,943</u>	<u>\$ 362,049</u>

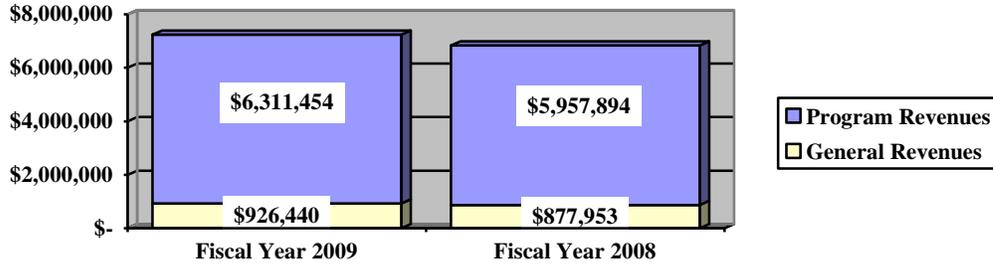
For all governmental activities, program revenue support is 100.00%. The primary support of the ESC is contracted fees for services provided to other districts.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

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

**Governmental Activities - General and Program Revenues**



**The ESC's Funds**

The ESC's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,830,758, which is greater than last year's total of \$1,936,218. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance (deficit) <u>June 30, 2009</u>	Fund Balance (deficit) <u>June 30, 2008</u>	Increase/ <u>(Decrease)</u>
General	\$ 2,806,572	\$ 1,913,742	\$ 892,830
Miscellaneous state grants	31,096	29,157	1,939
Other governmental	<u>(6,910)</u>	<u>(6,681)</u>	<u>(229)</u>
Total	<u>\$ 2,830,758</u>	<u>\$ 1,936,218</u>	<u>\$ 894,540</u>

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

***General Fund***

The ESC's general fund balance increased \$892,830. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Services provided to other entities	\$ 4,202,753	\$ 4,311,948	(2.53) %
Tuition	720,367	740,374	(2.70) %
Earnings on investments	18,712	57,288	(67.34) %
Intergovernmental	1,012,033	951,877	6.32 %
Other revenues	<u>555,350</u>	<u>36,285</u>	1,430.52 %
Total	<u>\$ 6,509,215</u>	<u>\$ 6,097,772</u>	6.75 %
<b><u>Expenditures</u></b>			
Instruction	\$ 633,005	\$ 624,263	1.40 %
Support services	4,976,798	4,869,618	2.20 %
Operation of non-instructional	2,220	2,130	4.23 %
Debt service	<u>4,362</u>	<u>4,362</u>	-
Total	<u>\$ 5,616,385</u>	<u>\$ 5,500,373</u>	2.11 %

Earnings on investments decreased 67.34% due to decreasing interest rates throughout the year. Other revenues increased by \$519,065 due to reimbursements received by the ESC.

***Miscellaneous State Grants Fund***

The miscellaneous State grants fund had \$201,389 in revenues and \$199,450 in expenditures. During fiscal year 2009, the miscellaneous State grants fund's fund balance increased \$1,939 from \$29,157 to \$31,096.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2009, the ESC had \$293,203 invested in land, buildings, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2009 balances compared to 2008:

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

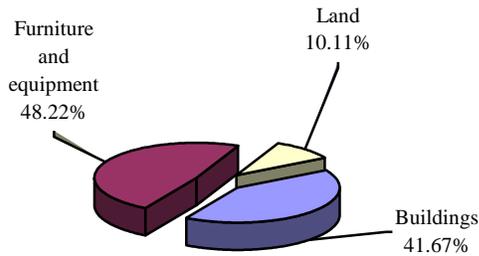
**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 29,642	\$ 29,642
Buildings	122,166	125,925
Furniture and equipment	<u>141,395</u>	<u>154,706</u>
Total	<u>\$ 293,203</u>	<u>\$ 310,273</u>

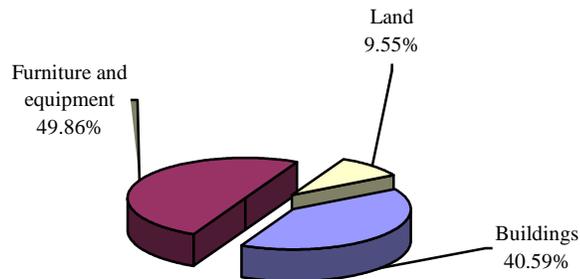
Total additions to capital assets for 2009 were \$19,750. A total of \$36,099 in depreciation expense was recognized for fiscal year 2009.

The graphs below present the ESC's capital assets for fiscal year 2009 and fiscal year 2008.

**Capital Assets - Governmental  
Activities 2009**



**Capital Assets - Governmental  
Activities 2008**



See Note 7 to the basic financial statements for additional information on the ESC's capital assets.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

***Debt Administration***

At June 30, 2009 the ESC had \$720 in capital lease obligations outstanding. This entire amount is due within one year. The following table summarizes the capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Capital lease obligation	\$ 720	\$ 4,844
Total	\$ 720	\$ 4,844

See Note 9 to the basic financial statements for detail on the ESC's debt administration.

**Current Financial Related Activities**

The ESC is financially solvent. As the preceding information shows, the ESC relies heavily on contracts with local, city, and JVS school districts in Jefferson and Harrison Counties, as well as state foundation revenue, and grants. The need for additional services from local and city school districts, paid for by excess costs, State funding and grants will provide the ESC with necessary funds to meet operating expenses in fiscal year 2010. However, the future financial stability of the ESC is not without concerns.

Currently, legislation passed regarding Ohio's Regional Education Delivery System and the implementation of that system by the Ohio Department of Education continues as an ongoing process. This system will directly impact education service centers in Ohio, and the method used to fund them.

Declining enrollment in Jefferson County remains a concern of the ESC. State funding for the ESC and the districts is based on average daily membership of participating school districts. Continued decline in enrollment will have a direct impact on state revenues received by school districts and the amount of services they will need from the ESC. As district revenues decline, they rely on the ESC for services and personnel they cannot employ at the district level. With no increases from the state, we are forced to try to do more with fewer resources.

Each year, school districts need additional services. Therefore, the ESC is constantly collecting data, monitoring program activity, and stepping forward to provide new services while still maintaining a financially solvent operation. The Virtual Learning Academy has added a new dimension for generating revenues, not only throughout the state of Ohio, but also throughout the United States and twenty countries overseas. In addition, the health benefits plan continues to grow. The plan currently insures over 12,000 employee lives and has contracts with eighty-four entities in thirty-seven counties.

ESC systems of internal control and procedures are reviewed throughout the year to insure a cost efficient operation.

**Contacting the ESC's Financial Management**

This financial report is designed to provide the citizens supported by the districts, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Karen Blake, Treasurer, Jefferson County ESC, 2023 Sunset Boulevard, Steubenville, Ohio 43952.

**BASIC  
FINANCIAL STATEMENTS**

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 3,027,034
Cash with fiscal agent . . . . .	959,294
Receivables:	
Intergovernmental . . . . .	182,091
Accrued interest . . . . .	7,092
Prepayments . . . . .	35,026
Materials and supplies inventory. . . . .	2,171
Capital assets:	
Land . . . . .	29,642
Depreciable capital assets, net . . . . .	263,561
Total capital assets, net . . . . .	<u>293,203</u>
 Total assets. . . . .	 <u>4,505,911</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	28,965
Accrued wages and benefits . . . . .	291,793
Pension obligation payable. . . . .	45,066
Intergovernmental payable . . . . .	30,259
Claims payable . . . . .	61,360
Long-term liabilities:	
Due within one year. . . . .	78,825
Due within more than one year . . . . .	<u>125,774</u>
 Total liabilities . . . . .	 <u>662,042</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt . .	292,483
Restricted for:	
State funded programs . . . . .	48,867
Federally funded programs . . . . .	1,662
Unrestricted . . . . .	<u>3,500,857</u>
 Total net assets . . . . .	 <u>\$ 3,843,869</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Governmental Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 472,929	\$ 188,369	\$ 296,819	\$ 12,259
Special . . . . .	404,002	425,069	10,549	31,616
Other . . . . .	6,200	6,053	150	3
Support services:				
Pupil . . . . .	1,231,730	1,117,522	260,963	146,755
Instructional staff . . . . .	2,707,498	2,615,066	214,981	122,549
Board of education . . . . .	17,459	19,005	469	2,015
Administration . . . . .	899,125	857,727	42,959	1,561
Fiscal . . . . .	254,768	235,575	13,482	(5,711)
Operations and maintenance . . . . .	12,413	-	396	(12,017)
Central . . . . .	4,987	-	6,000	1,013
Operation of non-instructional services . . . . .	2,916	-	300	(2,616)
Interest and fiscal charges . . . . .	238	-	-	(238)
Total governmental activities . . . . .	<u>\$ 6,014,265</u>	<u>\$ 5,464,386</u>	<u>\$ 847,068</u>	<u>297,189</u>
		<b>General Revenues:</b>		
		Grants and entitlements not restricted to specific programs . . . . .		876,327
		Investment earnings . . . . .		50,113
		Total general revenues . . . . .		<u>926,440</u>
		Change in net assets . . . . .		1,223,629
		<b>Net assets at beginning of year . . . . .</b>		<u>2,620,240</u>
		<b>Net assets at end of year . . . . .</b>		<u>\$ 3,843,869</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Miscellaneous State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . .	\$ 2,976,253	\$ 31,157	\$ 19,624	\$ 3,027,034
Receivables:				
Intergovernmental . . . . .	91,360	84,322	6,409	182,091
Accrued interest . . . . .	7,092	-	-	7,092
Interfund loan receivable . . . . .	90,731	-	-	90,731
Prepayments . . . . .	35,026	-	-	35,026
Materials and supplies inventory . . . . .	2,171	-	-	2,171
<b>Total assets . . . . .</b>	<b><u>\$ 3,202,633</u></b>	<b><u>\$ 115,479</u></b>	<b><u>\$ 26,033</u></b>	<b><u>\$ 3,344,145</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 28,965	\$ -	\$ -	\$ 28,965
Accrued wages and benefits . . . . .	270,309	-	21,484	291,793
Compensated absences payable . . . . .	19,535	-	-	19,535
Pension obligation payable . . . . .	42,058	-	3,008	45,066
Intergovernmental payable . . . . .	28,156	61	2,042	30,259
Interfund loan payable. . . . .	-	84,322	6,409	90,731
Deferred revenue . . . . .	7,038	-	-	7,038
<b>Total liabilities . . . . .</b>	<b><u>396,061</u></b>	<b><u>84,383</u></b>	<b><u>32,943</u></b>	<b><u>513,387</u></b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	3,026	-	-	3,026
Reserved for materials and supplies inventory. . . . .	2,171	-	-	2,171
Reserved for prepayments . . . . .	35,026	-	-	35,026
Unreserved, undesignated, (deficit) reported in:				
General fund . . . . .	2,766,349	-	-	2,766,349
Special revenue funds. . . . .	-	31,096	(6,910)	24,186
<b>Total fund balances (deficit) . . . . .</b>	<b><u>2,806,572</u></b>	<b><u>31,096</u></b>	<b><u>(6,910)</u></b>	<b><u>2,830,758</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 3,202,633</u></b>	<b><u>\$ 115,479</u></b>	<b><u>\$ 26,033</u></b>	<b><u>\$ 3,344,145</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

<b>Total governmental fund balances</b>	\$	2,830,758
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		293,203
Other long-term assets, such as accrued interest, are not available to pay for current period expenditures and therefore are deferred in the funds.		7,038
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences payable	\$	(184,344)
Capital lease obligations payable		<u>(720)</u>
Total		(185,064)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		<u>897,934</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>3,843,869</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

	<u>General</u>	<u>Miscellaneous State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Services provided to other entities . . . . .	\$ 4,202,753	\$ -	\$ -	\$ 4,202,753
Tuition . . . . .	720,367	-	-	720,367
Earnings on investments . . . . .	18,712	-	-	18,712
Other local revenues . . . . .	555,350	-	233,000	788,350
Intergovernmental - Intermediate . . . . .	135,706	-	-	135,706
Intergovernmental - State . . . . .	782,513	201,389	273,988	1,257,890
Intergovernmental - Federal . . . . .	93,814	-	2,985	96,799
Total revenues . . . . .	<u>6,509,215</u>	<u>201,389</u>	<u>509,973</u>	<u>7,220,577</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	191,775	146,800	142,211	480,786
Special . . . . .	435,030	-	-	435,030
Other . . . . .	6,200	-	-	6,200
Support Services:				
Pupil . . . . .	1,153,155	-	235,721	1,388,876
Instructional staff . . . . .	2,664,873	46,700	103,195	2,814,768
Board of education . . . . .	19,360	-	-	19,360
Administration . . . . .	878,119	2,231	19,410	899,760
Fiscal . . . . .	247,746	3,719	3,719	255,184
Operations and maintenance . . . . .	13,545	-	5,250	18,795
Operation of non-instructional services . . . . .	2,220	-	696	2,916
Debt service:				
Principal retirement . . . . .	4,124	-	-	4,124
Interest and fiscal charges . . . . .	238	-	-	238
Total expenditures . . . . .	<u>5,616,385</u>	<u>199,450</u>	<u>510,202</u>	<u>6,326,037</u>
Net change in fund balances . . . . .	892,830	1,939	(229)	894,540
<b>Fund balances (deficit) at beginning of year . . . . .</b>	<u>1,913,742</u>	<u>29,157</u>	<u>(6,681)</u>	<u>1,936,218</u>
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ 2,806,572</u>	<u>\$ 31,096</u>	<u>\$ (6,910)</u>	<u>\$ 2,830,758</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(SEE ACCOUNTANT'S COMPILATION REPORT)

**Net change in fund balances - total governmental funds** \$ 894,540

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

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

Capital asset additions	\$ 19,750	
Current year depreciation	(36,099)	
Total		(16,349)

The net effect of various miscellaneous transactions involving  
capital assets is to decrease net assets. (721)

Revenues in the statement of activities, services provided to  
other entities, that do not provide current financial resources  
are not reported as revenues in the funds.

Intergovernmental	(14,084)	
Interest	5,656	
Total		(8,428)

Repayment of capital lease principal is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities on the statement of net assets. 4,124

Some expenses reported in the statement of activities, such as  
compensated absences, do not require the use of current  
financial resources and therefore are not reported as  
expenditures in governmental funds. 40,184

The internal service fund used by management to charge the costs  
of insurance to individual funds is not reported in the government  
wide statement of activities. Governmental fund expenditures and  
the related internal service fund revenues are eliminated. The net  
revenue (expense) of the internal service fund is allocated among  
the governmental activities. 310,279

**Change in net assets of governmental activities** \$ 1,223,629

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009  
0

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 959,294
Total assets . . . . .	959,294
<b>Liabilities:</b>	
Claims payable . . . . .	61,360
Total liabilities . . . . .	61,360
<b>Net assets:</b>	
Unrestricted . . . . .	897,934
Total net assets. . . . .	\$ 897,934

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services. . . . .	\$ 1,071,462
Total operating revenues . . . . .	<u>1,071,462</u>
<b>Operating expenses:</b>	
Claims . . . . .	657,854
Other. . . . .	<u>129,074</u>
Total operating expenses. . . . .	<u>786,928</u>
Operating income . . . . .	<u>284,534</u>
<b>Nonoperating revenues:</b>	
Interest revenue. . . . .	<u>25,745</u>
Total nonoperating revenues . . . . .	<u>25,745</u>
Change in net assets . . . . .	310,279
<b>Net assets at beginning of year . . . . .</b>	<u>587,655</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 897,934</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,071,462
Cash payments for claims. . . . .	(726,812)
Cash payments for other expenses . . . . .	(129,074)
	215,576
<b>Net cash provided by operating activities . . . . .</b>	<b>215,576</b>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	25,745
	25,745
<b>Net cash provided by investing activities . . . . .</b>	<b>25,745</b>
Net increase in cash and cash equivalents . . . . .	241,321
<b>Cash and cash equivalents at beginning of year. . .</b>	<b>717,973</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 959,294</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 284,534
Changes in assets and liabilities:	
Decrease in claims payable . . . . .	(68,958)
	215,576
<b>Net cash provided by operating activities . . . . .</b>	<b>\$ 215,576</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Private Purpose Trust</b>	<b>Investment Trust</b>	<b>Agency</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . .	\$ 12,813	\$ 801,302	\$ 513,240
Cash in segregated accounts . . . . .	-	84,250,481	-
Receivables:			
Accrued interest . . . . .	35	509,197	-
Loans. . . . .	-	1,256	-
	12,848	85,562,236	\$ 513,240
<b>Total assets . . . . .</b>	<b>12,848</b>	<b>85,562,236</b>	<b>\$ 513,240</b>
<b>Liabilities:</b>			
Intergovernmental payable . . . . .	-	-	\$ 511,984
Loans payable . . . . .	-	-	1,256
	-	-	\$ 513,240
<b>Total liabilities . . . . .</b>	<b>-</b>	<b>-</b>	<b>\$ 513,240</b>
<b>Net Assets:</b>			
Held in trust for scholarships . . . . .	12,848	-	
Net assets available for pool participants . . .	-	85,562,236	
	12,848	85,562,236	
<b>Total net assets . . . . .</b>	<b>\$ 12,848</b>	<b>\$ 85,562,236</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Private Purpose Trust</b>	<b>Investment Trust</b>
	<u>                    </u>	<u>                    </u>
<b>Additions:</b>		
Capital transactions . . . . .	\$ -	\$ 10,204,059
Interest . . . . .	444	1,661,182
	<u>                    </u>	<u>                    </u>
Total additions . . . . .	444	11,865,241
	<u>                    </u>	<u>                    </u>
<b>Deductions:</b>		
Distributions to participants. . . . .	-	3,554,877
	<u>                    </u>	<u>                    </u>
Total deductions. . . . .	-	3,554,877
	<u>                    </u>	<u>                    </u>
Change in net assets . . . . .	444	8,310,364
<b>Net assets at beginning of year. . . . .</b>	<u>12,404</u>	<u>77,251,872</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 12,848</u>	<u>\$ 85,562,236</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE ESC**

The Jefferson County Educational Service Center (the “ESC”) 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 ESC is defined by Section 3311.05 of the Ohio Revised Code. The ESC operates under an elected Board of Education (five members). The following services are provided to the local school districts and city school districts under contract in Jefferson and Harrison counties:

- Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA)
- Computer Services
- Vocational Educational Services
- General Instructional Services
- Speech, Hearing and Language Services
- Special Projects Coordination
- Talented and Gifted Program
- Special Educational Services
- Psychological Services
- Administrative Services
- Developmental Handicapped and Disability Classroom Supervision

Average daily membership as of June 30, 2009 was 10,139. The Board employed 42 certified employees and 37 non-certified employees.

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

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

**A. Reporting Entity**

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

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

The OME-RESA is a not-for-profit computer service organization whose primary function is to provide information technology services to its member school districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by the OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records and test scoring.

The OME-RESA is one of twenty-three regional service organizations serving over 600 public school districts in the State of Ohio that make up the Ohio Educational Computer Network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code and their member school districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio school districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

The OME-RESA is owned and operated by forty-five member school districts in eleven different Ohio counties. The member school districts are comprised of public school districts and county boards of education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors which is selected by the member school districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

The OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The ESC acts in the capacity of fiscal agent for OME-RESA.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The ESC participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (the Plan), a merit rating pool. The Plan's business affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

Miscellaneous State grants fund - The miscellaneous State grants fund is used to account for various monies received from State agencies which are not classified elsewhere.

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

*PROPRIETARY FUND*

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the ESC's proprietary fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the ESC or to other governments, on a cost-reimbursement basis. The internal service fund of the ESC accounts for a self-insurance program which provides medical benefits to employees.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC's trust funds are a private-purpose trust which accounts for scholarships and two investment trust funds which account for monies held by the ESC as fiscal agent for the OME-RESA Self-Funded Insurance Program and the OME-RESA "A" Site Computer Center. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency funds account for various resources held for other organizations and individuals.

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

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the ESC and for each function or program of the ESC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 ESC. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the ESC.

*Fund Financial Statements* - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the ESC finances and meets the cash flow needs of its proprietary activities.

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

The investment trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of fiduciary net assets. The statement of changes in fiduciary net assets presents additions (i.e., revenues) and deductions (i.e., expenses) in net total assets.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the ESC receives value without directly giving equal value in return, include grants, entitlements and donations.

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

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

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

**E. Budgets**

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Cash and Investments**

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

During fiscal year 2009, the ESC's investments were limited to investments in non-negotiable certificates of deposits. Investments in nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are recorded at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board investment earnings are assigned to the general fund, the Self-Insurance internal service fund, (which is maintained by a fiscal agent in an interest bearing account separate from the ESC's internal investment pool), the private-purpose trust fund and the investment trust fund for which the ESC is acting as fiscal agent. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$18,712, which includes \$8,675 assigned from other ESC funds.

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

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

**G. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC maintains a capitalization threshold of \$500. The ESC 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 except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Buildings	40 years
Furniture and equipment	5 - 30 years
Vehicles	10 years

**H. Interfund Balances**

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

**I. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if (a) the employees' rights to payment are attributable to services already rendered; and (b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and for all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

For 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.

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**K. Inventory**

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**O. Estimates**

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

**P. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the ESC, these revenues are charges for services for a self-insurance program. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

**Q. Extraordinary and Special Items**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Summer school intervention	\$ 25,964
Alternative schools	379

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the ESC 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 ESC treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - 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. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the ESC'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 ESC, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash With Fiscal Agent**

The ESC is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2009, was \$959,294.

**B. Cash and Investments in Segregated Accounts**

The cash and investments in segregated accounts relates to the OME-RESA Self-Funded Insurance Program. The balance is covered by federal depository insurance, by collateral held by the ESC, or by collateral held by a qualified third-party trustee in the name of the ESC. The amount held in segregated accounts at June 30, 2009 was \$84,250,481.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all ESC deposits was \$4,354,389. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$3,470,973 of the ESC's bank balance of \$4,442,615 was exposed to custodial risk as discussed below, while \$971,642 was covered by the FDIC.

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

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,354,389
Cash with fiscal agent	959,294
Cash and investments in segregated accounts	<u>84,250,481</u>
Total	<u>\$ 89,564,164</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,986,328
Private-purpose trust funds	12,813
Investment trust funds	85,051,783
Agency funds	<u>513,240</u>
Total	<u>\$ 89,564,164</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Miscellaneous State grants fund	\$ 84,322
General fund	Nonmajor governmental funds	<u>6,409</u>
Total interfund loans receivable/payable		<u>\$ 90,731</u>

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

Interfund loans between governmental funds are eliminated for reporting in the statement of net assets.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2009 consisted of accrued interest and intergovernmental (billings to school districts for user charged services and tuition). All receivables are considered collectible in full. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Intergovernmental	\$ 182,091
Accrued interest	<u>7,092</u>
	<u>\$ 189,183</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 29,642	\$ -	\$ -	\$ 29,642
Total capital assets, not being depreciated	<u>29,642</u>	<u>-</u>	<u>-</u>	<u>29,642</u>
<i>Capital assets, being depreciated:</i>				
Buildings	150,358	-	-	150,358
Furniture and equipment	360,414	19,750	(2,558)	377,606
Vehicles	<u>7,172</u>	<u>-</u>	<u>-</u>	<u>7,172</u>
Total capital assets, being depreciated	<u>517,944</u>	<u>19,750</u>	<u>(2,558)</u>	<u>535,136</u>
<i>Less: accumulated depreciation:</i>				
Buildings	(24,433)	(3,759)	-	(28,192)
Furniture and equipment	(205,708)	(32,340)	1,837	(236,211)
Vehicles	<u>(7,172)</u>	<u>-</u>	<u>-</u>	<u>(7,172)</u>
Total accumulated depreciation	<u>(237,313)</u>	<u>(36,099)</u>	<u>1,837</u>	<u>(271,575)</u>
Governmental activities capital assets, net	<u>\$ 310,273</u>	<u>\$ (16,349)</u>	<u>\$ (721)</u>	<u>\$ 293,203</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 3,880
<u>Support services:</u>	
Pupil	1,416
Administration	30,641
Operations and maintenance	156
Central	<u>6</u>
Total depreciation expense	<u>\$ 36,099</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE**

The ESC has entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$17,927. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$11,525, leaving a current book value of \$6,402. A corresponding liability was recorded in the government-wide financial statements. Principal and interest payments in the 2009 fiscal year totaled \$4,124 and \$238, respectively, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ <u>727</u>
Total minimum lease payments	727
Less: Amount representing interest	<u>(7)</u>
Total	<u>\$ 720</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/09</u>	<u>Due in</u>
					<u>One Year</u>
Capital lease obligations	\$ 4,844	\$ -	\$ (4,124)	\$ 720	\$ 720
Compensated absences	<u>224,528</u>	<u>76,743</u>	<u>(97,392)</u>	<u>203,879</u>	<u>78,105</u>
Total	<u>\$ 229,372</u>	<u>\$ 76,743</u>	<u>\$ (101,516)</u>	<u>\$ 204,599</u>	<u>\$ 78,825</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid, which primarily consist of the general fund.

Capital lease obligations will be paid from the general fund. See Note 8 for detail.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The ESC is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The ESC has a comprehensive property and casualty policy. There is no deductible on any occurrences except \$50,000 on earth movement and floods. All vehicles are also insured with no deductible. All Board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$4,000,000 per aggregate. The treasurer is covered under a surety bond in the amount of \$250,000.

Settled claims have not exceeded this commercial coverage in the past three years. There has been no significant reduction in coverage from fiscal year 2008.

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

For fiscal year 2009, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan, a merit rating pool. The plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the plan. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the plan. Participation in the plan is limited to members that can meet the plan's selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the plan. Each year the ESC pays an enrollment fee to the plan to cover the costs of administration.

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

Medical/surgical, dental, and vision insurance is offered to employees through a self-insurance internal service fund. The ESC is a member of a claims servicing pool, consisting of school districts and other entities throughout the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the ESC's behalf. The plan is administered through OME-RESA and provides stop loss protection of \$400,000 per individual per year. The claims liability of \$61,360 is reported in the internal service fund at June 30, 2009, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 130,318	\$ 657,854	\$ (726,812)	\$ 61,360
2008	94,158	479,918	(443,758)	130,318

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$140,846, \$141,153 and \$150,736, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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

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

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

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 11 - PENSION PLANS - (Continued)**

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

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

The ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$365,837, \$380,529 and \$338,199, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 was \$5,410 made by the plan members.

**C. Social Security System**

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

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$74,158, \$78,198 and \$68,377, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$11,621, \$10,170 and \$10,250, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$28,141, \$29,271 and \$26,015, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the ESC.

**B. Litigation**

There are no claims or lawsuits pending against the ESC that, upon ultimate disposition, would have a material effect, if any, on the financial condition of the ESC.

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 14 - INVESTMENT POOL**

The ESC serves as fiscal agent for the OME-RESA Self-Funded Insurance Program (Program) and the OME-RESA "A" Site Computer Center (Computer Center). The ESC is responsible for receiving and disbursing funds at the direction of the schools participating in the Program and Computer Center. These entities are legally separate from the ESC. The ESC is fiscal agent and custodian for these entities, but is not accountable. These funds invested on behalf of the Program and Computer Center have been included in the basic financial statements as investment trust funds.

Investments are specifically purchased in the name of the Program and Computer Center. The investment pools are not registered with the SEC as investment companies. The fair value of investments is determined annually. The Program and Computer Center earn interest on investments purchased in their name. This activity makes up the external portion of the investment pool.

During fiscal year 2009, investments were limited to non-negotiable certificates of deposit. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

Condensed financial information for the investment pool follows:

Statement of Net Assets  
June 30, 2009

<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$ 4,354,389
Cash in Segregated Accounts	85,209,775
Accrued Interest Receivable	<u>516,324</u>
<i>Total Assets</i>	<u>90,080,488</u>
<b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	4,519,508
External Portion	<u>85,560,980</u>
<i>Total Net Assets Held in Trust for Pool Participants</i>	<u>\$ 90,080,488</u>

Statement of Changes in Net Assets  
For Fiscal Year Ended June 30, 2009

<b>Additions</b>	
Interest	\$ 1,711,739
Capital Transactions	<u>9,091,983</u>
<i>Total Additions</i>	<u>10,803,722</u>
<b>Deductions</b>	
Distributions to Participants	<u>1,170,697</u>
<i>Total Deductions</i>	<u>1,170,697</u>
<i>Change in Net Assets</i>	9,633,025
<i>Net Assets, Beginning of Year</i>	<u>80,447,463</u>
<i>Net Assets, End of Year</i>	<u>\$ 90,080,488</u>

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 15 - STATE FUNDING**

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

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

**NOTE 16 - LOANS RECEIVABLE/PAYABLE**

At June 30, 2009, the ESC had loans outstanding in the fiduciary funds as follows:

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>
Investment Trust	Agency	<u>\$ 1,256</u>
Total		<u><u>\$ 1,256</u></u>

The primary purpose of these loans is to cover costs where revenues were not received by June 30. These loans will be repaid once the anticipated revenues are received.

**SUPPLEMENTARY  
INFORMATION**

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Tuition . . . . .	\$ 720,367	\$ 720,367	\$ 720,367	\$ -
Earnings on investments. . . . .	25,000	20,110	20,110	-
Services provided to other entities. . . . .	4,375,704	4,329,866	4,329,866	-
Other local revenues. . . . .	18,400	555,350	555,350	-
Intergovernmental - Intermediate . . . . .	74,000	135,706	135,706	-
Intergovernmental - State . . . . .	780,000	782,513	782,513	-
Intergovernmental - Federal. . . . .	93,000	93,814	93,814	-
Total revenues . . . . .	<u>6,086,471</u>	<u>6,637,726</u>	<u>6,637,726</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	137,907	190,750	190,750	-
Special. . . . .	443,104	420,468	420,468	-
Other . . . . .	6,000	6,200	6,200	-
Support Services:				
Pupil. . . . .	1,174,120	1,101,665	1,096,780	4,885
Instructional staff . . . . .	2,729,138	2,920,412	2,562,485	357,927
Board of education . . . . .	25,022	25,311	19,217	6,094
Administration. . . . .	825,716	887,633	887,633	-
Fiscal . . . . .	250,925	242,980	241,560	1,420
Operations and maintenance. . . . .	11,675	12,877	12,877	-
Operation of non-instructional services . . . . .	1,700	2,220	2,220	-
Total expenditures . . . . .	<u>5,605,307</u>	<u>5,810,516</u>	<u>5,440,190</u>	<u>370,326</u>
Excess of revenues over expenditures. . . . .	<u>481,164</u>	<u>827,210</u>	<u>1,197,536</u>	<u>370,326</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	500	1,587	1,587	-
Refund of prior year receipts. . . . .	-	(6,477)	(6,477)	-
Miscellaneous uses of funds . . . . .	-	(42,605)	(42,605)	-
Advances (out) . . . . .	-	(96,803)	(90,732)	6,071
Total other financing sources (uses) . . . . .	<u>500</u>	<u>(144,298)</u>	<u>(138,227)</u>	<u>6,071</u>
Net change in fund balance . . . . .	481,664	682,912	1,059,309	376,397
<b>Fund balance at beginning of year. . . . .</b>	1,867,766	1,867,766	1,867,766	-
<b>Prior year encumbrances appropriated . . . . .</b>	40,409	40,409	40,409	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,389,839</u>	<u>\$ 2,591,087</u>	<u>\$ 2,967,484</u>	<u>\$ 376,397</u>

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental - State . . . . .	225,000	117,067	117,067	-
Total revenue . . . . .	<u>225,000</u>	<u>117,067</u>	<u>117,067</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	200,546	148,731	148,731	-
Support Services:				
Instructional staff . . . . .	18,000	46,700	46,700	-
Administration . . . . .	2,230	2,234	2,234	-
Fiscal . . . . .	3,724	3,724	3,724	-
Operation of non-instructional services . . .	500	-	-	-
Total expenditures . . . . .	<u>225,000</u>	<u>201,389</u>	<u>201,389</u>	<u>-</u>
Excess of expenditures over revenues . . . . .	-	(84,322)	(84,322)	-
<b>Other financing sources:</b>				
Refund of prior year expenditure . . . . .	-	1,931	1,931	-
Advances in . . . . .	-	84,322	84,322	-
Total other financing sources . . . . .	<u>-</u>	<u>86,253</u>	<u>86,253</u>	<u>-</u>
Net change in fund balance . . . . .	-	1,931	1,931	-
<b>Fund balance at beginning of year . . . . .</b>	<u>29,226</u>	<u>29,226</u>	<u>29,226</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 29,226</u>	<u>\$ 31,157</u>	<u>\$ 31,157</u>	<u>\$ -</u>

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - BUDGETARY PROCESS**

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

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

The ESC Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Board. The level of control has been established by the 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 statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Governing Board during the fiscal year.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

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

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

1. Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis); and,
4. Advances-in and advances-out are operating transactions (budget-basis) as opposed to balance sheet transactions (GAAP basis).

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER  
JEFFERSON COUNTY, OHIO**

NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

	<u>General</u>	<u>Miscellenaous State Grants</u>
Budget basis	\$ 1,059,309	\$ 1,931
Net adjustment for revenue accruals	(128,511)	84,322
Net adjustment for expenditure accruals	(184,964)	1,939
Net adjustment for other sources/(uses)	138,227	(86,253)
Adjustment for encumbrances	<u>8,769</u>	<u>-</u>
GAAP basis	<u>\$ 892,830</u>	<u>\$ 1,939</u>

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Jefferson County Educational Service Center  
Jefferson County  
2023 Sunset Boulevard  
Steubenville, Ohio 43952

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County Educational Service Center, Jefferson County, (the Center) as of and for the year ended June 30, 2009 which collectively comprise the Center's basic financial statements and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion 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 material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the audit committee, management, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

***Charles E. Harris & Associates, Inc.***

December 29, 2010

**JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER**  
**Jefferson County, Ohio**  
**For the Year Ending June 30, 2009**

**SCHEDULE OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the year ended June 30, 2008, reported no material citations or recommendations.

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# Dave Yost • Auditor of State

JEFFERSON COUNTY EDUCATIONAL SERVICE CENTER

JEFFERSON COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 15, 2011