

Dave Yost • Auditor of State

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, Ohio (the Service Center), as of and for the year ended June 30, 2012, which collectively comprise the Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and budgetary comparison information and notes as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Service Center's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 22, 2013

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The management's discussion and analysis of the Columbiana County Educational Service Center's (the "Center") financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The Center restated net assets at June 30, 2011 as described in Note 3.B to the basic financial statements. In total, net assets of governmental activities decreased \$184,145, which represents a 50.35% decrease from fiscal year 2011.
- General revenues accounted for \$409,142 in revenue or 3.87% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$10,175,129 or 96.13% of total revenues of \$10,584,271.
- The Center had \$10,768,416 in expenses related to governmental activities; \$10,175,129 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$409,142 were not adequate to provide for these programs.
- The Center's major governmental funds are the general fund and the IDEA VI-B fund. The general fund had \$9,704,809 in revenues and \$9,880,922 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$176,113 from \$635,679 to \$459,566.
- The IDEA VI-B fund had \$481,932 in revenues and \$471,499 in expenditures. During fiscal year 2012, the IDEA VI-B fund's deficit balance decreased \$10,433 from a deficit balance of \$23,849 to a deficit balance of \$13,416.

Using these Basic Financial Statements

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Reporting the Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Fund

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Reporting the Center's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-46 of this report.

Supplementary Information

The Center has presented a budgetary comparison schedule for the general fund and the IDEA VI-B fund as supplementary information on pages 47-50 of this report.

The Center as a Whole

The statement of net assets provides the perspective of the Center as a whole. The table below provides a summary of the Center's net assets at June 30, 2012 and June 30, 2011. The net assets of the Center were restated at June 30, 2011 as described in Note 3.B to the basic financial statements.

	Net Assets	
	Governmental Activities 2012	Restated Governmental Activities 2011
<u>Assets</u>		
Current and other assets	\$ 1,400,712	\$ 1,849,586
Capital assets, net	<u>594,721</u>	<u>659,019</u>
Total assets	<u>1,995,433</u>	<u>2,508,605</u>
<u>Liabilities</u>		
Current liabilities	769,181	1,071,332
Long-term liabilities	<u>1,044,675</u>	<u>1,071,551</u>
Total liabilities	<u>1,813,856</u>	<u>2,142,883</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	118,823	129,300
Restricted	1,236	12,013
Unrestricted	<u>61,518</u>	<u>224,409</u>
Total net assets	<u>\$ 181,577</u>	<u>\$ 365,722</u>

The decrease in current liabilities is primarily attributable to a premium holiday taken by the Center in the months of July and August 2012, resulting in a reduction in summer insurance liabilities outstanding at June 30, 2012.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

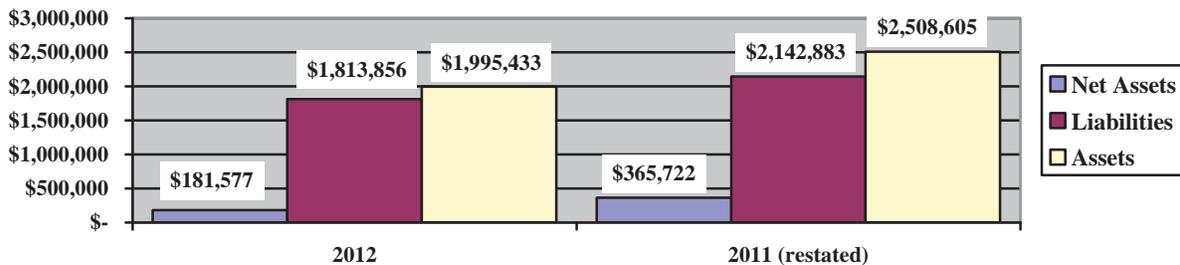
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Center's assets exceeded liabilities by \$181,577. Of this total, \$1,236 is restricted in use.

At year-end, capital assets represented 29.80% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$118,823. These capital assets are used to provide services to the students and are not available for future spending. Although the Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Center's net assets, \$1,236, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$61,518 may be used to meet the Center's ongoing obligations to the students and creditors.

The table below illustrates the Center's assets, liabilities and net assets at June 30, 2012 and June 30, 2011. The net assets of the Center were restated at June 30, 2011 as described in Note 3.B to the basic financial statements.

Governmental Activities



The table below shows the change in net assets for fiscal years 2012 and 2011. The net assets of the Center were restated at June 30, 2011 as described in Note 3.B to the basic financial statements.

	Change in Net Assets	
	Governmental Activities 2012	Restated Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 8,469,479	\$ 8,472,027
Operating grants and contributions	1,705,650	1,708,630
General revenues:		
Grants and entitlements	406,778	459,302
Investment earnings	501	620
Other	1,863	22,976
Total revenues	<u>10,584,271</u>	<u>10,663,555</u>

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Change in Net Assets	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 1,055,876	\$ 962,033
Special	2,031,185	1,904,000
Support services:		
Pupil	2,330,167	2,405,314
Instructional staff	3,385,102	3,077,853
Board of education	50,092	32,545
Administration	532,904	624,700
Fiscal	237,568	171,737
Operations and maintenance	135,921	150,601
Pupil transportation	570,441	537,459
Central	358,205	348,484
Operation of non-instructional services:		
Other non-instructional services	53,581	55,121
Interest and fiscal charges	<u>27,374</u>	<u>24,561</u>
Total expenses	<u>10,768,416</u>	<u>10,294,408</u>
Change in net assets	(184,145)	369,147
Net assets (deficit) at beginning of year (restated)	<u>365,722</u>	<u>(3,425)</u>
Net assets at end of year	<u><u>\$ 181,577</u></u>	<u><u>\$ 365,722</u></u>

Governmental Activities

Net assets of the Center's governmental activities decreased \$184,145. Total governmental expenses of \$10,768,416 were offset by program revenues of \$10,175,129 and general revenues of \$409,142. Program revenues supported 94.49% of the total governmental expenses.

The primary source of revenue for governmental activities is derived from charges for services. This revenue source represents 80.02% of total governmental revenue.

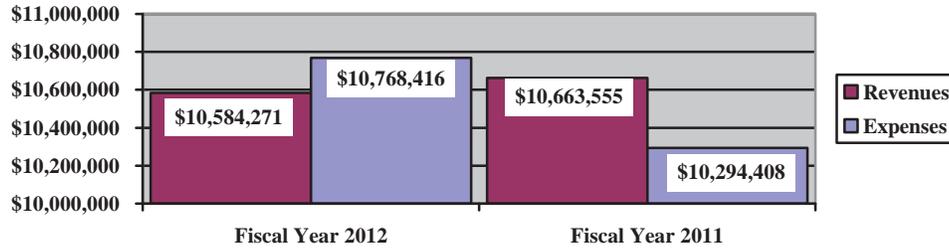
The largest expense of the Center is for instructional staff support services programs. Instructional staff support services expenses totaled \$3,385,102 or 31.44% of total governmental expenses for fiscal year 2012.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the Center's governmental activities revenue and expenses for fiscal years 2012 and 2011.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 1,055,876	\$ 985,267	\$ 962,033	\$ 934,278
Special	2,031,185	(665,151)	1,904,000	(728,665)
Support services:				
Pupil	2,330,167	(25,700)	2,405,314	(140,921)
Instructional staff	3,385,102	(45,636)	3,077,853	(167,746)
Board of education	50,092	50,092	32,545	32,325
Administration	532,904	(32,386)	624,700	(29,608)
Fiscal	237,568	224,237	171,737	170,630
Operations and maintenance	135,921	135,921	150,601	150,601
Pupil transportation	570,441	(114,393)	537,459	(163,578)
Central	358,205	993	348,484	(18,761)
Operation of non-instructional services:				
Other non-instructional services	53,581	52,669	55,121	50,635
Interest and fiscal charges	<u>27,374</u>	<u>27,374</u>	<u>24,561</u>	<u>24,561</u>
Total expenses	<u>\$ 10,768,416</u>	<u>\$ 593,287</u>	<u>\$ 10,294,408</u>	<u>\$ 113,751</u>

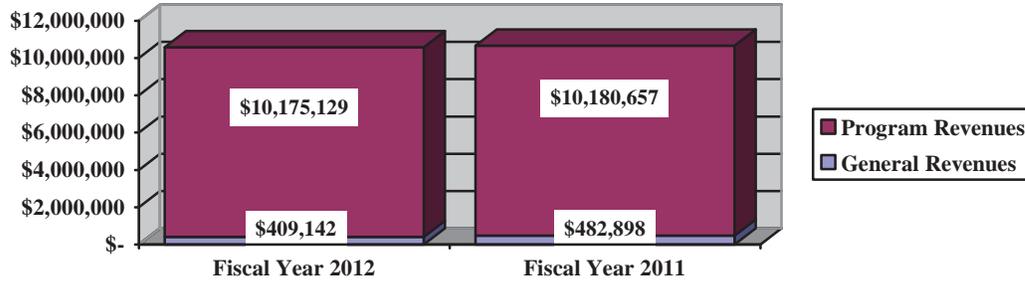
For all governmental activities, program revenue support is 94.49% at June 30, 2012 and 98.90% at June 30, 2011. The Center's charges for services, as a whole, are by far the primary support for Center's students.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the Center's governmental activities revenue for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The Center's Funds

The Center's governmental funds reported a combined fund balance of \$445,237, which is less than last year's total fund balance of \$611,098. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011.

	Fund Balance (Deficit) <u>June 30, 2012</u>	Fund Balance (Deficit) <u>June 30, 2011</u>	Increase/ (Decrease)	Percentage <u>Change</u>
General	\$ 459,566	\$ 635,679	\$ (176,113)	(27.70) %
IDEA VI-B	(13,416)	(23,849)	10,433	43.75 %
Other governmental	<u>(913)</u>	<u>(732)</u>	<u>(181)</u>	(24.73) %
Total	<u>\$ 445,237</u>	<u>\$ 611,098</u>	<u>\$ (165,861)</u>	(27.14) %

General Fund

The Center's general fund balance decreased \$176,113.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Intergovernmental	\$ 1,220,740	\$ 1,274,333	\$ (53,593)	(4.21) %
Tuition	7,162,819	7,125,483	37,336	0.52 %
Earnings on investments	501	620	(119)	(19.19) %
Services provided to other entities	1,317,796	1,383,674	(65,878)	(4.76) %
Other revenues	<u>2,953</u>	<u>28,479</u>	<u>(25,526)</u>	(89.63) %
 Total	 <u>\$ 9,704,809</u>	 <u>\$ 9,812,589</u>	 <u>\$ (107,780)</u>	 (1.10) %
<u>Expenditures</u>				
Instruction	\$ 2,542,352	\$ 2,301,747	\$ 240,605	10.45 %
Support services	7,206,210	6,894,373	311,837	4.52 %
Non-instructional services	53,244	50,079	3,165	6.32 %
Capital outlay	-	78,959	(78,959)	(100.00) %
Debt service	<u>79,116</u>	<u>63,106</u>	<u>16,010</u>	25.37 %
 Total	 <u>\$ 9,880,922</u>	 <u>\$ 9,388,264</u>	 <u>\$ 492,658</u>	 5.25 %

The overall revenues of the general fund decreased \$107,780 or 1.10%. Earnings on investments decreased \$119 or 19.19% primarily due to declining interest rates. Other revenues decreased \$25,526 or 89.63% mainly due to decreases in extracurricular activities, contributions and donations, and receipts from other local sources. All other revenue classifications remained comparable to fiscal year 2011.

The overall expenditures of the general fund increased \$492,658 or 5.25%. Instruction expenditures increased \$240,605 or 10.45% primarily due to an increase in wages paid during fiscal year 2012. Capital outlay decreased \$78,959 or 100.00% due to a capital lease obligation entered into by the Center during fiscal year 2011. Debt service expenditures increased \$16,010 or 25.37% mostly due to an increase in principal retirement paid on the Center's long-term obligations during fiscal year 2012. All other expenditure classifications remained comparable to fiscal year 2011.

IDEA VI-B Fund

The IDEA VI-B fund had \$481,932 in revenues and \$471,499 in expenditures. During fiscal year 2012, the IDEA VI-B fund's deficit balance decreased \$10,433 from a deficit balance of \$23,849 to a deficit balance of \$13,416.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

The Center restated capital assets at June 30, 2011 due to an appraisal conducted during fiscal year 2012 that revealed errors and omissions in capital asset reporting occurring in previous accounting periods (see Note 3.B for details). At the end of fiscal year 2012, the Center had \$594,721 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011.

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

	Governmental Activities	
	2012	Restated 2011
Land	\$ 61,900	\$ 61,900
Land improvements	33,913	40,056
Building and improvements	354,296	377,153
Furniture and equipment	91,023	116,577
Vehicles	53,589	63,333
Total	\$ 594,721	\$ 659,019

The overall decrease in capital assets of \$64,298 is due to depreciation expense of \$68,541 exceeding capital outlays of \$4,243 during the fiscal year.

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

Debt Administration

At June 30, 2012, the Center had \$378,286 in loans payable and \$99,253 in capital lease obligations outstanding. The amount due within one year is \$55,297 and the remaining \$422,242 is due in more than one year. The following table summarizes the loans payable and capital lease obligations outstanding at June 30, 2012 and June 30, 2011.

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
	Capital lease obligations	\$ 99,253
Loans payable	378,286	401,548
Total	\$ 477,539	\$ 529,719

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Current Financial Related Activities

The Center relies heavily on contracts with local, city, and exempted school districts within Columbiana and Mahoning Counties, as well as State foundation revenue, and grants. The request for services from local, city, and exempted school districts, along with the Center's cash balance, provided the Center with the necessary funds to meet its operating expenses in fiscal year 2012. However, the future financial stability of the Center is not without concerns.

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

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

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

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

Contacting the Center's Financial Management

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,049,986
Receivables:	
Accounts.	228,459
Intergovernmental	118,004
Prepayments	2,622
Unamortized loan issue costs	1,641
Capital assets:	
Land	61,900
Depreciable capital assets, net.	532,821
Total capital assets, net.	594,721
 Total assets.	 1,995,433
 Liabilities:	
Accounts payable.	27,854
Accrued wages and benefits	551,887
Pension obligation payable.	114,139
Intergovernmental payable	75,176
Unearned revenue	125
Long-term liabilities:	
Due within one year.	207,256
Due in more than one year.	837,419
Total liabilities	1,813,856
 Net assets:	
Invested in capital assets, net of related debt.	118,823
Restricted for:	
State funded programs.	452
Other purposes	784
Unrestricted.	61,518
 Total net assets	 \$ 181,577

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 1,055,876	\$ -	\$ 70,609	\$ (985,267)
Special	2,031,185	1,580,495	1,115,841	665,151
Support services:				
Pupil	2,330,167	2,343,202	12,665	25,700
Instructional staff	3,385,102	3,142,926	287,812	45,636
Board of education	50,092	-	-	(50,092)
Administration	532,904	518,075	47,215	32,386
Fiscal	237,568	-	13,331	(224,237)
Operations and maintenance	135,921	-	-	(135,921)
Pupil transportation	570,441	549,121	135,713	114,393
Central	358,205	335,310	21,902	(993)
Operation of non-instructional services:				
Other non-instructional services	53,581	350	562	(52,669)
Interest and fiscal charges	27,374	-	-	(27,374)
Total governmental activities	<u>\$ 10,768,416</u>	<u>\$ 8,469,479</u>	<u>\$ 1,705,650</u>	<u>(593,287)</u>
General revenues:				
Grants and entitlements not restricted to specific programs				406,778
Investment earnings				501
Miscellaneous				1,863
Total general revenues				<u>409,142</u>
Change in net assets				(184,145)
Net assets at beginning of year (restated)				<u>365,722</u>
Net assets at end of year				<u>\$ 181,577</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>IDEA VI-B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 1,030,925	\$ -	\$ 784	\$ 1,031,709
Receivables:				
Accounts	228,459	-	-	228,459
Intergovernmental.	-	89,642	28,362	118,004
Loans.	1,203	-	-	1,203
Due from other funds	44,772	-	-	44,772
Prepayments.	2,622	-	-	2,622
Total assets	<u>\$ 1,307,981</u>	<u>\$ 89,642</u>	<u>\$ 29,146</u>	<u>\$ 1,426,769</u>
Liabilities:				
Accounts payable	\$ 25,198	\$ 2,656	\$ -	\$ 27,854
Accrued wages and benefits.	481,594	70,281	12	551,887
Compensated absences payable	48,603	-	-	48,603
Pension obligation payable	104,298	9,839	2	114,139
Intergovernmental payable	70,824	3,311	1,041	75,176
Loans payable	-	-	1,203	1,203
Due to other funds	-	16,971	27,801	44,772
Deferred revenue	117,773	-	-	117,773
Unearned revenue.	125	-	-	125
Total liabilities.	<u>848,415</u>	<u>103,058</u>	<u>30,059</u>	<u>981,532</u>
Fund balances:				
Nonspendable:				
Long-term loans.	1,203	-	-	1,203
Prepayments.	2,622	-	-	2,622
Restricted:				
Other purposes.	-	-	1,236	1,236
Assigned:				
Student instruction	11,107	-	-	11,107
Student and staff support.	186,598	-	-	186,598
Operation of non-instructional services.	911	-	-	911
Unassigned (deficit)	257,125	(13,416)	(2,149)	241,560
Total fund balances (deficit)	<u>459,566</u>	<u>(13,416)</u>	<u>(913)</u>	<u>445,237</u>
Total liabilities and fund balances	<u>\$ 1,307,981</u>	<u>\$ 89,642</u>	<u>\$ 29,146</u>	<u>\$ 1,426,769</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>IDEA VI-B</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Tuition	\$ 7,162,819	\$ -	\$ -	\$ 7,162,819
Earnings on investments	501	-	-	501
Services provided to other entities	1,317,796	-	-	1,317,796
Extracurricular	1,090	-	-	1,090
Contributions and donations	1,010	-	562	1,572
Other local revenues	853	-	-	853
Intergovernmental - state	1,220,740	-	54,724	1,275,464
Intergovernmental - federal	-	481,932	358,294	840,226
Total revenues	<u>9,704,809</u>	<u>481,932</u>	<u>413,580</u>	<u>10,600,321</u>
Expenditures:				
Current:				
Instruction:				
Regular	983,155	32,285	37,955	1,053,395
Special	1,559,197	426,822	-	1,986,019
Support services:				
Pupil	2,312,709	12,392	-	2,325,101
Instructional staff	3,102,027	-	298,606	3,400,633
Board of education	36,161	-	-	36,161
Administration	511,333	-	38,905	550,238
Fiscal	250,967	-	13,909	264,876
Operations and maintenance	120,091	-	-	120,091
Pupil transportation	541,975	-	1,382	543,357
Central	330,947	-	22,774	353,721
Operation of non-instructional services:				
Other non-instructional services	53,244	-	230	53,474
Debt service:				
Principal retirement	52,180	-	-	52,180
Interest and fiscal charges	26,936	-	-	26,936
Total expenditures	<u>9,880,922</u>	<u>471,499</u>	<u>413,761</u>	<u>10,766,182</u>
Net change in fund balances	(176,113)	10,433	(181)	(165,861)
Fund balances (deficit) at beginning of year	<u>635,679</u>	<u>(23,849)</u>	<u>(732)</u>	<u>611,098</u>
Fund balances (deficit) at end of year	<u>\$ 459,566</u>	<u>\$ (13,416)</u>	<u>\$ (913)</u>	<u>\$ 445,237</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

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, 2012

Net change in fund balances - total governmental funds \$ (165,861)

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

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

Capital asset additions	\$ 4,243	
Current year depreciation	(68,541)	
Total	(64,298)	(64,298)

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

Tuition	(15,521)	
Services provided to other entities	3,295	
Intergovernmental	(3,824)	
Total	(16,050)	(16,050)

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

Loans	23,262	
Capital lease	28,918	
Total	52,180	52,180

In the statement of activities, interest is accrued on outstanding loans, whereas in governmental funds, an interest expenditure is reported when due. The amortization of loan issue costs resulted in more interest being reported in the statement of activities.

(438)

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

9,581

The internal service fund used for computer maintenance is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

741

Change in net assets of governmental activities \$ (184,145)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current:	
Equity in pooled cash and cash equivalents	\$ 18,277
Total assets.	<u>18,277</u>
Net assets:	
Unrestricted.	<u>18,277</u>
Total net assets	<u>\$ 18,277</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
Operating revenues:	
Other	\$ 2,050
Total operating revenues	2,050
Operating expenses:	
Fringe benefits	200
Purchased services.	1,109
Total operating expenses.	1,309
Operating income	741
Change in net assets.	741
Net assets at beginning of year.	17,536
Net assets at end of year.	\$ 18,277

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from other operations	\$ 2,050
Cash payments for personal services.	(200)
Cash payments for purchased services.	(1,109)
Cash payments for materials and supplies	<u>(46)</u>
Net cash provided by operating activities	<u>695</u>
Net increase in cash and cash equivalents	695
Cash and cash equivalents at beginning of year . . .	<u>17,582</u>
Cash and cash equivalents at end of year	<u><u>\$ 18,277</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 741
Changes in assets and liabilities: (Decrease) in accounts payable	<u>(46)</u>
Net cash provided by operating activities.	<u><u>\$ 695</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 14,202
 Total assets.	\$ 14,202
 Liabilities:	
Accounts payable.	\$ 107
Intergovernmental payable	1
Due to students.	14,094
 Total liabilities	\$ 14,202

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

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

The Center operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. The Board controls the Center’s support facilities staffed by 60 non-certified and 81 certified teaching personnel and 5 administrators who provide services to 13,984 students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service System (ACCESS)

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Workers' Compensation Group Rating Plan

The Center participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. Each year, the participating school districts pay an enrollment fee to Sheakley Uniservice, Inc. to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The following are the Center's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the Center are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

Internal service fund - An internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center, or to other governments, on a cost-reimbursement basis. The internal service fund of the Center accounts for a computer maintenance program.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

D. Basis of Accounting

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

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

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

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

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

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

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

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

E. Budgets

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

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

F. Cash and Investments

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$501, which includes \$11 assigned from other funds.

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

An analysis of the Center's cash and investments at year end is provided in Note 4.

G. Pass-Through Grants

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Center's Governing Board (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Center's Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Center for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Center's Governing Board, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Center applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 amount restricted for other purposes represents amounts restricted for special trusts.

The Center 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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

P. Unamortized Loan Issuance Costs

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The Center did not record any transfers during fiscal year 2012.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the Center has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the Center.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the Center.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Assets

During fiscal year 2012, the Center conducted a capital asset appraisal. As a result, the Center's net assets have been restated at July 1, 2011 to reflect errors and omissions in capital asset reporting in previous fiscal years. The change in the Center's capital assets had the following effect on net assets as previously reported by the governmental activities:

	Governmental Activities
Net assets, June 30, 2011	\$ 420,635
Adjustment for errors and omissions in capital asset reporting from prior fiscal years	(54,913)
Restated net assets, July 1, 2011	\$ 365,722

See Note 8 for the effect of the change on capital asset balances as previously reported by the Center at June 30, 2011.

C. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Major governmental fund</u>	<u>Deficit</u>
IDEA VI-B	\$ 13,416
<u>Nonmajor governmental funds</u>	
Miscellaneous state grants	243
Preschool incentive grant	216
Miscellaneous federal grants	1,690

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 resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all Center deposits was \$1,064,088. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$276,019 of the Center’s bank balance of \$1,211,877 was covered by the FDIC, while \$935,858 was exposed to custodial credit risk as discussed below.

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

C. 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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,064,088
Cash on hand	<u>100</u>
Total	<u>\$ 1,064,188</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 1,049,986
Agency fund	<u>14,202</u>
Total	<u>\$ 1,064,188</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Long-term interfund balances at June 30, 2012 as reported on the fund financial statements consisted of the following individual loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 1,203</u>

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

Long-term interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund balances at June 30, 2012 as reported on the fund financial statements consisted of the following amounts due from and to other funds:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	IDEA VI-B	\$ 16,971
General	Nonmajor governmental funds	<u>27,801</u>
Total		<u>\$ 44,772</u>

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested, but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. The Center met the exception requirements of Ohio Revised Code Section 3315.20, allowing a negative cash balance in these funds.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 6 - STATE FUNDING

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

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Accounts	\$ 228,459
Intergovernmental	<u>118,004</u>
Total	<u><u>\$ 346,463</u></u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

Capital assets of the governmental activities have been restated as of July 1, 2011 to account for errors and omissions in capital asset reporting in prior fiscal years. During fiscal year 2012, the Center conducted an appraisal for its capital assets that revealed inaccuracies in the classification, cost, and accumulated depreciation of various capital assets as previously reported by the Center. The restated beginning balances account for these discrepancies. The effect of the change in governmental activities beginning capital assets and fiscal year 2012 capital asset activity is as follows:

	Restated Balance <u>07/01/11</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/12</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 61,900	\$ -	\$ -	\$ 61,900
Total capital assets, not being depreciated	<u>61,900</u>	<u>-</u>	<u>-</u>	<u>61,900</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	98,421	-	-	98,421
Buildings and improvements	914,311	-	-	914,311
Furniture and equipment	559,072	4,243	-	563,315
Vehicles	448,657	-	-	448,657
Total capital assets, being depreciated	<u>2,020,461</u>	<u>4,243</u>	<u>-</u>	<u>2,024,704</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(58,365)	(6,143)	-	(64,508)
Buildings and improvements	(537,158)	(22,857)	-	(560,015)
Furniture and equipment	(442,495)	(29,797)	-	(472,292)
Vehicles	(385,324)	(9,744)	-	(395,068)
Total accumulated depreciation	<u>(1,423,342)</u>	<u>(68,541)</u>	<u>-</u>	<u>(1,491,883)</u>
Governmental activities capital assets, net	<u>\$ 659,019</u>	<u>\$ (64,298)</u>	<u>\$ -</u>	<u>\$ 594,721</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,812
Special	9,616
<u>Support services:</u>	
Instructional staff	2,183
Board of education	13,931
Administration	428
Operations and maintenance	15,792
Pupil transportation	22,461
Central	<u>1,318</u>
Total depreciation expense	<u>\$ 68,541</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In prior fiscal years, the Center entered into capitalized leases for copier equipment and a school bus. These lease agreements met 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 fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary schedules.

Capital assets related to the copier equipment and school bus have been capitalized in the amount of \$156,907. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 for the copier equipment and school bus was \$48,047, leaving a current book value of \$108,860. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$28,918 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 36,774
2014	36,774
2015	22,139
2016	<u>16,010</u>
Total minimum lease payments	111,697
Less amount representing interest	<u>(12,444)</u>
Total	<u>\$ 99,253</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/12</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Loan payable - 2009	\$ 401,548	\$ -	\$ (23,262)	\$ 378,286	\$ 24,474
Capital lease obligation	128,171	-	(28,918)	99,253	30,823
Compensated absences	<u>541,832</u>	<u>206,447</u>	<u>(181,143)</u>	<u>567,136</u>	<u>151,959</u>
 Total long-term obligations, governmental activities	 <u>\$ 1,071,551</u>	 <u>\$ 206,447</u>	 <u>\$ (233,323)</u>	 <u>\$ 1,044,675</u>	 <u>\$ 207,256</u>

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

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

Compensated absences of the Center are paid primarily from the general fund and the IDEA VI-B fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal on loan</u>	<u>Interest on loan</u>	<u>Total</u>
2013	\$ 24,474	\$ 17,868	\$ 42,342
2014	25,689	16,651	42,340
2015	26,967	15,373	42,340
2016	<u>301,156</u>	<u>10,663</u>	<u>311,819</u>
 Total	 <u>\$ 378,286</u>	 <u>\$ 60,555</u>	 <u>\$ 438,841</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the Center contracted with The Hollaway Insurance Company for property insurance, fleet insurance and general liability insurance.

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

B. Employee Health Benefits

The Center has contracted with Stark County Schools Council of Governments (a shared risk pool) (See Note 2) to provide employee health benefits. Rates are set through an annual calculation process. The Center pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The Center's Governing Board pays a portion of the monthly premium.

Claims are paid for all participants regardless of claims flow. Upon termination, all Center claims would be paid without regard to the Center's account balance. The Directors have the right to hold monies for an exiting district subsequent to the settlement of all expenses and claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the Center.

C. Workers' Compensation

The Center participates in a Workers' Compensation Group Rating Plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed in tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. Sheakley Uniservice, Inc. provides administrative cost control and actuarial services for the GRP.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Center's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$324,613, \$266,967 and \$276,198, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$537,277, \$516,210 and \$476,125, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$27,761 made by the Center and \$19,830 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, 2012, certain members of the Governing Board have elected Social Security. The Center's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Center participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$48,499, \$65,523 and \$9,941, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The Center's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$19,170, \$17,180 and \$16,425, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The Center contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" 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 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Center's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$41,329, \$39,708 and \$36,625, respectively; 100 percent has been contributed for fiscal years 2012, 2011 and 2010.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The Center is not party to legal proceedings which, in the opinion of Center management, will have a material effect, if any, on the financial condition of the Center.

NOTE 15 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Medical, Dental, Vision and Prescription Drug Insurance

The Center maintains a health and welfare plan that provides medical, dental, vision and prescription drug card benefits. The monthly family and single premium for medical, dental, vision and life insurance is \$1,577 and \$649, respectively.

C. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 16 - COMMITMENTS

The Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Center's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 190,636
IDEA VI-B fund	150
Nonmajor governmental funds	<u>8,308</u>
Total	<u>\$ 199,094</u>

NOTE 17 - SUBSEQUENT EVENT

The Center's Treasurer, Penny Kale, resigned effective July 31, 2012. The Center subsequently contracted with Cindy Lengyel to serve as Treasurer for the Center.

SUPPLEMENTAL INFORMATION

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition.	\$ 7,468,407	\$ 7,468,407	\$ 7,468,407	\$ -
Earnings on investments	501	501	501	-
Services provided to other entities.	1,315,266	1,315,266	1,275,266	(40,000)
Other local revenues	6,400	6,400	55	(6,345)
Intergovernmental - state	1,220,740	1,220,740	1,220,740	-
Total revenues	<u>10,011,314</u>	<u>10,011,314</u>	<u>9,964,969</u>	<u>(46,345)</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,135,725	1,135,725	1,044,174	91,551
Special.	1,701,448	1,701,448	1,584,941	116,507
Support services:				
Pupil.	2,441,284	2,441,284	2,383,321	57,963
Instructional staff	3,338,834	3,338,834	3,285,121	53,713
Board of education	38,310	38,310	37,211	1,099
Administration.	604,971	604,971	525,260	79,711
Fiscal	283,913	283,913	279,457	4,456
Operations and maintenance.	176,815	176,815	140,527	36,288
Pupil transportation	614,329	614,329	600,473	13,856
Central.	356,975	356,975	340,735	16,240
Operation of non-instructional services:				
Other non-instructional services.	55,662	55,662	52,803	2,859
Debt service:				
Principal retirement	23,262	23,262	23,262	-
Interest and fiscal charges.	19,080	19,080	19,080	-
Total expenditures	<u>10,790,608</u>	<u>10,790,608</u>	<u>10,316,365</u>	<u>474,243</u>
Excess of expenditures over revenues	<u>(779,294)</u>	<u>(779,294)</u>	<u>(351,396)</u>	<u>427,898</u>
Other financing sources (uses):				
Refund of prior year's expenditures	25	25	25	-
Transfers (out).	(1,636)	(1,636)	(1,636)	-
Total other financing sources (uses)	<u>(1,611)</u>	<u>(1,611)</u>	<u>(1,611)</u>	<u>-</u>
Net change in fund balance	(780,905)	(780,905)	(353,007)	427,898
Fund balance at beginning of year.	1,052,612	1,052,612	1,052,612	-
Prior year encumbrances appropriated	171,715	171,715	171,715	-
Fund balance at end of year	<u>\$ 443,422</u>	<u>\$ 443,422</u>	<u>\$ 871,320</u>	<u>\$ 427,898</u>

SEE ACCOMPANYING BUDGETARY NOTES

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
IDEA VI-B
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Intergovernmental - federal	\$ 529,200	\$ 529,200	\$ 438,388	\$ (90,812)
Total revenues.	<u>529,200</u>	<u>529,200</u>	<u>438,388</u>	<u>(90,812)</u>
Expenditures:				
Current:				
Instruction:				
Regular	31,298	31,298	26,080	5,218
Special.	505,361	505,361	440,543	64,818
Support services:				
Pupil.	12,550	12,550	12,550	-
Total expenditures	<u>549,209</u>	<u>549,209</u>	<u>479,173</u>	<u>70,036</u>
Net change in fund balance	(20,009)	(20,009)	(40,785)	(20,776)
Fund balance at beginning of year	<u>21,008</u>	<u>21,008</u>	<u>21,008</u>	<u>-</u>
Fund balance (deficit) at end of year.	<u>\$ 999</u>	<u>\$ 999</u>	<u>\$ (19,777)</u>	<u>\$ (20,776)</u>

SEE ACCOMPANYING BUDGETARY NOTES

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**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of 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 schedules of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the general fund and the IDEA VI-B fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. To reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

4. Advances in and out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and
5. Some funds are included in the general fund (GAAP basis), but have separate adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis schedules for the general fund and the IDEA VI-B fund:

	<u>General</u>	<u>IDEA VI-B</u>
Budget basis	\$ (353,007)	\$ (40,785)
Net adjustment for revenue accruals	(263,058)	43,544
Net adjustment for expenditure accruals	244,024	4,868
Net adjustment for other sources/uses	1,611	-
Funds budgeted elsewhere	(1,995)	-
Adjustment for encumbrances	<u>196,312</u>	<u>2,806</u>
GAAP basis	<u>\$ (176,113)</u>	<u>\$ 10,433</u>

Certain funds that are budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the public school support fund.

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster: Special Education Grants to States (IDEA Part B)	046417-6BSF-2011 046417-6BSF-2012	84.027	\$46,098 391,236	\$67,106 385,843
Total IDEA Part B			437,334	452,949
SST5 Early Learning Award		84.027	1,054	1,054
Closing the Achievement GAP-SS		84.027	0	9,798
Closing the Achievement GAP-SS		84.027	0	12,566
Total GAP-SS			0	22,364
Early Childhood Grant	FY 2012	84.173	47,215	47,215
Total Special Cluster Grant			485,603	523,582
Safe and Drug Free Schools and Communities - State Grants	FY12	84.186	9,974	9,974
Ohio Resident Educator Program		84.395	0	1,750
Total Ohio Department of Education			495,577	535,306
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Assistance:				
Teaching American History Grant	FY 2011 FY 2012	84.215	36,065 260,386	45,017 273,265
Total U.S. Department of Education			296,451	318,282
Totals			\$792,028	\$853,588

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPT AND EXPENDITURE SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbiana County Educational Service Center, Columbiana County, (the Service Center) as of and for the year ended June 30, 2012, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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 Service 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 reasonably assuring whether the Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. We did note a matter not requiring inclusion in this report that we reported to the Service Center's management in a separate letter dated January 22, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 22, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Columbiana County Educational Service Center (the Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Columbiana County Educational Service Center's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Service Center's major federal program. The Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Service Center's compliance based on our audit.

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

In our opinion, the Columbiana County Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Service Center's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Service Center's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

January 22, 2013

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Teaching American History Grant – CFDA #84.215
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None Noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Noted

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Dave Yost • Auditor of State

COLUMBIANA EDUCATIONAL SERVICE CENTER

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 12, 2013