

**Mary Taylor, CPA**  
Auditor of State



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mid-Ohio Educational Service Center  
Richland County  
890 West Fourth Street, Suite 100  
Mansfield, Ohio 44906

To the Board of Governors:

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

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

Ohio Administrative Code § 117-2-03 (B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of June 30, 2010, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison for the General Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

November 19, 2010

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

The management's discussion and analysis of the Mid-Ohio Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2010, within the limitations of the ESC's cash basis of accounting. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the ESC's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- In total, net cash assets of governmental activities increased \$1,091,292 which represents a 18.80% increase from 2009.
- General cash receipts accounted for \$4,193,773 or 24.09% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$13,217,758 or 75.91% of total governmental activities cash receipts of \$17,411,531.
- The ESC had \$16,320,239 in cash disbursements related to governmental activities; \$13,217,758 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily unrestricted grants and entitlements) of \$4,193,773 were adequate to provide for these programs.
- The ESC's major governmental funds are the general fund and miscellaneous federal grants fund. The general fund had \$15,377,017 in cash receipts and \$14,166,838 in cash disbursements and other financing uses. During fiscal year 2010, the general fund's fund cash balance increased \$1,210,179 from \$5,738,266 to \$6,948,445.
- The miscellaneous federal grants fund had \$1,754,328 in cash receipts and \$1,673,348 in cash disbursements. During fiscal year 2010, the miscellaneous federal grants fund's deficit cash balance increased \$80,980 from (\$164,027) to (\$83,047).

**Using these Cash Basis Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the ESC's cash basis of accounting.

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

**Reporting the ESC as a Whole**

**Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis**

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets - cash basis and statement of activities - cash basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets - cash basis and statement of activities - cash basis, the governmental activities include the ESC's programs and services, including instruction and support services.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the ESC is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the statement of activities - cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities - cash basis. The governmental fund statements can be found on pages 15-16 of this report.

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

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate statement of cash basis assets and net cash assets - fiduciary fund assets on page 17. This cash is excluded from the ESC's other financial statements because the cash cannot be utilized by the ESC to finance its operations.

***Notes to the Cash Basis 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 cash basis basic financial statements can be found on pages 19-33 of this report.

**The ESC as a Whole**

Recall that the statement of net assets - cash basis provides the perspective of the ESC as a whole.

The table below provides a summary of the ESC's net cash assets for 2010 and 2009.

	<b>Net Cash Assets</b>	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<b><u>Assets</u></b>		
Equity in pooled cash and cash equivalents	<u>\$ 6,896,113</u>	<u>\$ 5,804,821</u>
<b><u>Net Cash Assets</u></b>		
Restricted	\$ 51,922	\$ 228,457
Unrestricted	<u>6,844,191</u>	<u>5,576,364</u>
Total net cash assets	<u>\$ 6,896,113</u>	<u>\$ 5,804,821</u>

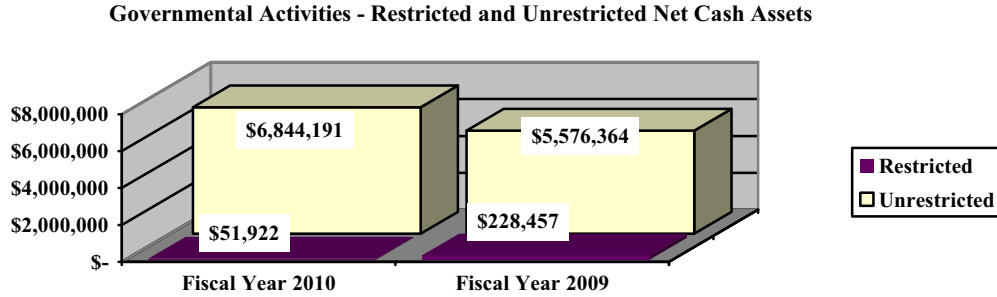
Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the ESC's total net cash assets were \$6,896,113.

A portion of the ESC's net cash assets, \$51,922, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$6,844,191 may be used to meet the ESC's ongoing obligations to students and creditors.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
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The graph below presents the ESC's governmental activities restricted and unrestricted net cash assets for fiscal years 2010 and 2009.



The table below shows the change in net cash assets for fiscal years 2010 and 2009.

**Change in Net Cash Assets**

	Governmental Activities 2010	Governmental Activities 2009
<b><u>Cash Receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 11,012,842	\$ 11,081,267
Operating grants and contributions	2,204,916	2,415,823
General cash receipts:		
Grants and entitlements	4,077,728	4,208,197
Investment earnings	116,045	148,145
Total cash receipts	<u>17,411,531</u>	<u>17,853,432</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

	<b>Change in Net Cash Assets (Continued)</b>	
	Governmental Activities 2010	Governmental Activities 2009
	<u>2010</u>	<u>2009</u>
<b><u>Cash Disbursements</u></b>		
Program expenses:		
Instruction:		
Regular	445,866	585,956
Special	3,948,753	4,164,124
Adult/continuing	682	22,061
Support services:		
Pupil	3,709,673	3,783,873
Instructional staff	4,352,983	4,477,434
Board of education	73,775	88,846
Administration	1,599,211	1,470,329
Fiscal	455,688	489,113
Business	288,304	279,540
Operations and maintenance	435,141	533,972
Central	138,639	241,103
Other non-instructional services	870,036	784,860
Facilities acquisition and construction	-	50,180
Debt service:		
Principal retirement	1,453	95,542
Interest and fiscal charges	35	23,286
Total cash disbursements	<u>16,320,239</u>	<u>17,090,219</u>
Change in net cash assets	<u>1,091,292</u>	<u>763,213</u>
Net cash assets at beginning of year	<u>5,804,821</u>	<u>5,041,608</u>
Net cash assets at end of year	<u>\$ 6,896,113</u>	<u>\$ 5,804,821</u>

**Governmental Activities**

Net cash assets of the ESC's governmental activities increased \$1,091,292. Total governmental cash disbursements of \$16,320,239 were offset by program cash receipts of \$13,217,758 and general cash receipts of \$4,193,773. Program cash receipts supported 80.99% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from charges for services and sales. These cash receipts sources represent 63.25% of total governmental cash receipts.

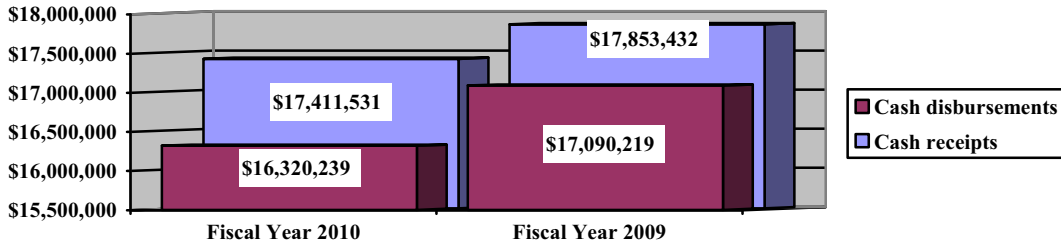
The largest cash disbursement of the ESC is for support services. Support services cash disbursements totaled \$11,053,414 or 67.73% of total governmental cash disbursements for fiscal year 2010.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

The graph below presents the ESC's governmental activities cash receipts and cash disbursements for fiscal years 2009 and 2010.

**Governmental Activities - Cash Receipts and Disbursements**



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

**Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
<b>Program cash disbursements</b>				
Instruction:				
Regular	\$ 445,866	\$ 227,940	\$ 585,956	\$ 156,966
Special	3,948,753	(269,701)	4,164,124	366,933
Adult/Continuing	682	83	22,061	969
Support services:				
Pupil	3,709,673	1,330,442	3,783,873	368,740
Instructional staff	4,352,983	(226,535)	4,477,434	196,815
Board of education	73,775	(153,117)	88,846	88,846
Administration	1,599,211	1,446,824	1,470,329	1,335,018
Fiscal	455,688	338,513	489,113	339,045
Business	288,304	288,304	279,540	279,540
Operations and maintenance	435,141	41,028	533,972	101,810
Central	138,639	117,990	241,103	220,572
Other non-instructional services	870,036	(40,778)	784,860	(31,133)
Facilities acquisition and construction	-	-	50,180	50,180
Debt service:				
Principal retirement	1,453	1,453	95,542	95,542
Interest and fiscal charges	35	35	23,286	23,286
<b>Total cash disbursements</b>	<u>\$ 16,320,239</u>	<u>\$ 3,102,481</u>	<u>\$ 17,090,219</u>	<u>\$ 3,593,129</u>

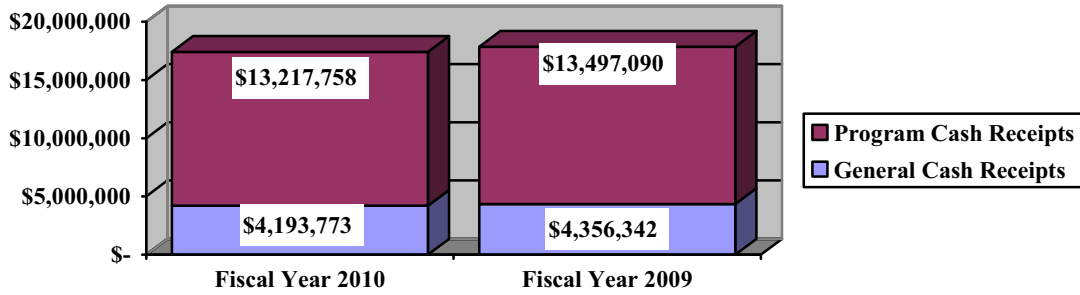
**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

The ESC primarily depends upon charges for services provided to member districts; however, dependence upon other general cash receipts for governmental activities is apparent as 28.80% of support services activities are supported through grants and entitlements (including State foundation) and other general cash receipts. For all governmental activities, general cash receipt support is 19.01%.

The graph below presents the ESC's governmental activities cash receipts for fiscal years 2010 and 2009.

**Governmental Activities - General and Program Cash Receipts**



**The ESC's Funds**

The ESC's governmental funds reported a combined fund cash balance of \$6,896,113, which is more than last year's total of \$5,804,821. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2010 and 2009.

	Fund Cash Balance (Deficit) <u>June 30, 2010</u>	Fund Cash Balance (Deficit) <u>June 30, 2009</u>	Increase (Decrease)	Percentage Change
General	\$ 6,948,445	\$ 5,738,266	\$ 1,210,179	21.09 %
Miscellaneous Federal Grants	(83,047)	(164,027)	80,980	(49.37) %
Other Governmental	<u>30,715</u>	<u>230,582</u>	<u>(199,867)</u>	(86.68) %
Total	<u>\$ 6,896,113</u>	<u>\$ 5,804,821</u>	<u>\$ 1,091,292</u>	18.80 %

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)

***General Fund***

The ESC's general fund cash balance increased \$1,210,179. The table that follows assists in illustrating the cash financial activities of the general fund.

	2010 <u>Amount</u>	2009 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Cash Receipts</u></b>				
Tuition	\$ 4,275,422	\$ 4,050,264	\$ 225,158	5.56 %
Contract services	6,241,911	6,522,889	(280,978)	(4.31) %
Earnings on investments	116,045	148,145	(32,100)	(21.67) %
Intergovernmental	4,304,620	4,208,197	96,423	2.29 %
Rental income	389,566	432,162	(42,596)	(9.86) %
Other	<u>49,453</u>	<u>15,952</u>	<u>33,501</u>	210.01 %
 Total	 <u>\$ 15,377,017</u>	 <u>\$ 15,377,609</u>	 <u>\$ (592)</u>	 (0.00) %
<b><u>Cash Disbursements</u></b>				
Instruction	\$ 4,123,541	\$ 4,304,256	\$ (180,715)	(4.20) %
Support services	10,022,475	10,327,184	(304,709)	(2.95) %
Other non-instructional services	-	1,326	(1,326)	(100.00) %
Facilities acquisition and construction	-	30,615	(30,615)	(100.00) %
Debt service	<u>1,488</u>	<u>118,828</u>	<u>(117,340)</u>	(98.75) %
 Total	 <u>\$ 14,147,504</u>	 <u>\$ 14,782,209</u>	 <u>\$ (634,705)</u>	 (4.29) %

The most significant dollar change in cash receipts occurred in contract services due to less received from contracts paid by client districts. Earnings on investments decreased due to the decrease in interest rates. Rental income decreased due to less received during 2010 for the rental of building space. Facilities acquisition and construction decreased due to the addition of new phones and a remodeling project in 2009. Overall, cash disbursements decreased slightly due to a general decrease in operating costs.

***Miscellaneous Federal Grants Fund***

The miscellaneous federal grants fund had \$1,754,328 in cash receipts and \$1,673,348 in cash disbursements. During fiscal year 2010, the miscellaneous federal grants fund's deficit cash balance increased \$80,980 from (\$164,027) to (\$83,047).

**Capital Assets and Debt Administration**

***Capital Assets***

The ESC does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements.

***Debt Administration***

The ESC is not permitted to issue debt. See Note 6 to the cash basis financial statements for additional information on the ESC's capital leases.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

***Current Financial Related Activities***

The Mid-Ohio Educational Service Center operates on sound financial ground relying on contracts with area agencies and local, city and exempted village school districts in the counties of Richland, Morrow and Crawford, as well as State foundation revenue and grants. The future financial stability of the ESC is not without concern in light of the State's bleak budget outlook. Like so many other organizations supported by State tax revenue, the ESC has been forced to make difficult budget decisions.

The primary focus of the ESC continues to be on meeting the needs of our client districts with the ultimate goal of providing the necessary resources to meet student needs. The ESC prides itself on providing quality service while at the same time being sensitive to the financial hardships facing its client districts. A sound system of budgeting and internal controls enables the ESC to operate efficiently and to meet the financial challenges of the future.

***Contacting the ESC's Financial Management***

The financial report is designed to provide citizens, investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money received. Questions about the report may be directed to: Mrs. Lorraine Earnest, Treasurer, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

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**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 6,896,113
Total assets. . . . .	\$ 6,896,113
<b>Net cash assets:</b>	
Restricted for:	
Locally funded programs . . . . .	\$ 9,199
State funded programs . . . . .	26,927
Federally funded programs . . . . .	9,466
Other purposes . . . . .	6,330
Unrestricted. . . . .	6,844,191
Total net cash assets. . . . .	\$ 6,896,113

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Cash Disbursements</u>	Program Cash Receipts		<u>Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 445,866	\$ 39,157	\$ 178,769	\$ (227,940)
Special . . . . .	3,948,753	4,180,378	38,076	269,701
Adult/continuing . . . . .	682	-	599	(83)
Support services:				
Pupil . . . . .	3,709,673	1,951,931	427,300	(1,330,442)
Instructional staff . . . . .	4,352,983	4,428,535	150,983	226,535
Board of education . . . . .	73,775	-	226,892	153,117
Administration . . . . .	1,599,211	23,275	129,112	(1,446,824)
Fiscal . . . . .	455,688	-	117,175	(338,513)
Business . . . . .	288,304	-	-	(288,304)
Operations and maintenance . . . . .	435,141	389,566	4,547	(41,028)
Central . . . . .	138,639	-	20,649	(117,990)
Other non-instructional services . . . . .	870,036	-	910,814	40,778
Debt service:				
Principal retirement . . . . .	1,453	-	-	(1,453)
Interest and fiscal charges . . . . .	35	-	-	(35)
<b>Total governmental activities . . . . .</b>	<b>\$ 16,320,239</b>	<b>\$ 11,012,842</b>	<b>\$ 2,204,916</b>	<b>(3,102,481)</b>
<b>General cash receipts:</b>				
Grants and entitlements not restricted				
to specific programs . . . . .				4,077,728
Investment earnings . . . . .				116,045
Total general cash receipts. . . . .				4,193,773
Change in net cash assets . . . . .				1,091,292
<b>Net cash assets at beginning of year . . .</b>				<b>5,804,821</b>
<b>Net cash assets at end of year . . . . .</b>				<b>\$ 6,896,113</b>

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2010

	<u>General</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 6,948,445	\$ (83,047)	\$ 30,715	\$ 6,896,113
Total cash basis assets . . . . .	<u>\$ 6,948,445</u>	<u>\$ (83,047)</u>	<u>\$ 30,715</u>	<u>\$ 6,896,113</u>
<b>Fund cash balances:</b>				
Reserved for encumbrances. . . . .	\$ -	\$ 97,643	\$ -	\$ 97,643
Unreserved (deficit):				
General fund . . . . .	6,948,445	-	-	6,948,445
Special revenue funds . . . . .	<u>-</u>	<u>(180,690)</u>	<u>30,715</u>	<u>(149,975)</u>
Total fund cash balances (deficit) . . . . .	<u>\$ 6,948,445</u>	<u>\$ (83,047)</u>	<u>\$ 30,715</u>	<u>\$ 6,896,113</u>

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Tuition . . . . .	\$ 4,275,422	\$ -	\$ -	\$ 4,275,422
Contract services . . . . .	6,241,911	-	56,490	6,298,401
Earnings on investments. . . . .	116,045	-	-	116,045
Contributions and donations. . . . .	-	-	500	500
Rental income . . . . .	389,566	-	-	389,566
Other . . . . .	49,453	183	-	49,636
Intergovernmental . . . . .	4,304,620	1,754,145	223,196	6,281,961
Total cash receipts. . . . .	<u>15,377,017</u>	<u>1,754,328</u>	<u>280,186</u>	<u>17,411,531</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	220,177	122,225	103,464	445,866
Special. . . . .	3,903,364	-	45,389	3,948,753
Adult/continuing. . . . .	-	-	682	682
Support services:				
Pupil. . . . .	3,293,422	381,535	34,716	3,709,673
Instructional staff . . . . .	4,041,466	86,083	225,434	4,352,983
Board of education . . . . .	73,775	-	-	73,775
Administration. . . . .	1,446,684	96,127	56,400	1,599,211
Fiscal . . . . .	330,298	106,839	18,551	455,688
Business . . . . .	288,304	-	-	288,304
Operations and maintenance. . . . .	429,721	-	5,420	435,141
Central. . . . .	118,805	16,834	3,000	138,639
Other non-instructional services . . . . .	-	863,705	6,331	870,036
Debt service:				
Principal retirement . . . . .	1,453	-	-	1,453
Interest and fiscal charges . . . . .	35	-	-	35
Total cash disbursements. . . . .	<u>14,147,504</u>	<u>1,673,348</u>	<u>499,387</u>	<u>16,320,239</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,229,513</u>	<u>80,980</u>	<u>(219,201)</u>	<u>1,091,292</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	-	-	19,334	19,334
Transfers (out) . . . . .	(19,334)	-	-	(19,334)
Total other financing sources (uses). . . . .	<u>(19,334)</u>	<u>-</u>	<u>19,334</u>	<u>-</u>
Net change in fund cash balances. . . . .	1,210,179	80,980	(199,867)	1,091,292
<b>Fund cash balances (deficit) at</b>				
<b>beginning of year. . . . .</b>	<u>5,738,266</u>	<u>(164,027)</u>	<u>230,582</u>	<u>5,804,821</u>
<b>Fund cash balances (deficit) at end of year .</b>	<u>\$ 6,948,445</u>	<u>\$ (83,047)</u>	<u>\$ 30,715</u>	<u>\$ 6,896,113</u>

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS  
FIDUCIARY FUND  
JUNE 30, 2010

	<u>Agency</u>
<b>Cash assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 187,938
Total cash assets . . . . .	<u>\$ 187,938</u>
<b>Net cash assets:</b>	
Restricted for distribution to others . . . . .	\$ 187,938
Total net cash assets . . . . .	<u>\$ 187,938</u>

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

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**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Mid-Ohio Educational Service Center (the "ESC") is a political subdivision of the State of Ohio. The ESC was formed from the consolidation of the former Crawford County, Morrow County, and Richland County Educational Service Centers on July 1, 1996. Educational Service Centers were formed as a result of Senate Bill 9 as amended by Am. Sub. H.B. 117.

The ESC has offices in Richland, Crawford and Morrow Counties. The Governing Board consists of seven members elected by the voters of each county. This Governing Board acts as the authorizing body for expenditures, policy and procedures, and approves all financial activities. The ESC is staffed by 76 non-certified employees, 134 certified employees, and 12 administrators to provide services to approximately 34,034 students throughout Crawford, Morrow, and Richland Counties. The ESC is also a sponsor for GOAL Digital Academy.

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

As discussed further in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The ESC is fiscal agent for the Crawford County Family and Children First Council and the Business Advisory Council of Richland County (the "Councils"). The ESC is responsible for receiving and disbursing funds at the direction of the Councils. These entities are legally separate from the ESC. The ESC is fiscal agent and custodian for the Councils, but is not accountable; therefore, the operations of the Councils have been included as an agency fund in the ESC's cash basis basic financial statements. The funds invested on behalf of the Councils have been included in the cash basis basic financial statements as "equity in pooled cash and cash equivalents".

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

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG 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 ESC does not have any equity interest in the COG. Financial information can be obtained from Jerry Payne, Treasurer of the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Business Advisory Councils of Crawford, Morrow, and Richland Counties

The ESC appoints Business Advisory Councils (the "Councils") in accordance with Ohio Revised Code, Section 3313.174. The purpose of the Councils is to provide insight, generate suggestions, and promote a positive relationship between the ESC and the communities it serves. The theme of the relationship is to provide an appropriate and adequate curriculum, within the ESC's financial means, in order that conscientious students may enter the work force with the knowledge, skills and attitudes that are at a level which makes initial employment feasible and additional training both productive and economical.

The Councils are composed of an optional number of members as determined by the ESC Superintendent. The membership may be selected from the fields of commercial, industrial, service, agricultural and governmental agencies. Consideration may also be given to one citizen representative from each of the local districts. Each local superintendent may also serve as an "ex officio" member. The ESC Superintendent, or his designee, serves as the chairman of the council.

The Superintendent of the ESC is required to develop administrative guidelines which will ensure that the time and efforts of the Councils and those of the professional staff are utilized properly to accomplish these educational outcomes and to provide for a continued, strong working relationship between the school community, the Councils, and the larger community of employers.

The ESC is fiscal agent for the Councils, but has no ongoing financial interest or financial responsibility to the Councils.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Pioneer Career and Technology Center

The Pioneer Career and Technology Center (the "Center"), is a distinct political subdivision of the State of Ohio, operated under the direction of an eleven member Board of Education, which consists of one representative from each of the participating school district's elected board. The Center possesses its own budgeting and taxing authority. Financial information is available from Jerry Payne, Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, Ohio 44875. The ESC has no ongoing financial interest or financial responsibility to the Center.

Tri-Rivers Career Center

The Tri-Rivers Career Center (the "Center") is a political subdivision of the State of Ohio. The Center is operated under the direction of a thirteen member Board of Education, which consists of one representative from each of the participating school districts' elected boards. The Center possesses its own budgeting and taxing authority. Financial information is available from Terril Martin, Treasurer of the Tri-Rivers Career Center, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302. The ESC has no ongoing financial interest or financial responsibility to the Center.

*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. See Note 7.B. for further information.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 7.C. for further information pertaining to this insurance purchasing pool.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the ESC chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**C. Fund Accounting**

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The ESC does not have proprietary funds.

*GOVERNMENTAL FUNDS*

The ESC classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the ESC's major governmental funds:

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

*Miscellaneous federal grants* – The miscellaneous federal grants fund is used to account for various monies received through State agencies from the federal government or directly from the federal government which are not classified elsewhere.

Other governmental funds of the ESC are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for various resources held for other organizations and individuals, including the Crawford County Family and Children First Council, Solid Waste Management, a Media Center Grant, the Delaware-Morrow Mental Health Recovery Services and the Business Advisory Councils of Crawford, Morrow, and Richland Counties.

**D. Basis of Presentation**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the ESC's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the ESC. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the ESC.

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

**E. Budgets**

Educational service centers do not have the authority to adopt annual legally-adopted appropriation budgets. However, the ESC has chosen to adopt an appropriation resolution for internal control purposes. Therefore, even though a statement or schedule of budgetary results is not required to be presented, the ESC has chosen to present budgetary schedule as supplemental information.

**F. Cash and Investments**

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

During fiscal year 2010, investments were limited to State Treasury Asset Reserve of Ohio ("STAR Ohio"), nonnegotiable and negotiable certificates of deposit and federal agency securities. Investments are reported at cost.

The ESC invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$116,045, which includes \$4,674 assigned from other funds.

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

Capital lease obligations are not recognized as a liability in the financial statements under the cash basis of accounting. The ESC is not permitted to obtain debt beyond capital lease obligations.

**J. Fund Cash Balance Reserves**

The ESC reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances.

**K. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Other purposes consist of balances of the Richland County solid waste and Crawford County alternative school programs.

The ESC applies restricted resources first when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. As of June 30, 2010, there were no net cash assets restricted by enabling legislation.

**L. Interfund Activity**

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

**M. 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 2010.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 3 - COMPLIANCE**

Ohio Administrative Code, Section 117-2-03(B), requires the ESC to prepare its annual financial report in accordance with generally accepted accounting principles. However, the ESC prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The ESC can be fined and various other administrative remedies may be taken against the ESC.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above, and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
6. The State Treasurer's investment pool, STAR Ohio;

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2010, the carrying amount of all ESC deposits was \$4,785,511. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$2,322,750 of the ESC's bank balance of \$5,438,881 was exposed to custodial risk as discussed below, while \$3,116,131 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**B. Investments**

As of June 30, 2010, the ESC had the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
			<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>24 to 60 months</u>
FNMA	\$ 800,000	\$ 819,002	\$ -	\$ -	\$ -	\$ -	\$ 819,002
FFCB	\$ 200,000	\$ 202,000					\$ 202,000
FHLB	200,000	200,626	-	-	-	-	200,626
Negotiable CDs	546,000	554,664	-	101,032	250,718	202,914	-
STAR Ohio	<u>552,540</u>	<u>552,540</u>	<u>552,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,298,540</u>	<u>\$ 2,328,832</u>	<u>\$ 552,540</u>	<u>\$ 101,032</u>	<u>\$ 250,718</u>	<u>\$ 202,914</u>	<u>\$ 1,221,628</u>

The weighted average maturity of investments is 2.56 years.

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

*Credit Risk:* The ESC's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio a AAAm money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities and negotiable CDs are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the ESC's name. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2010:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of total</u>
FNMA	\$ 800,000	34.81
FFCB	200,000	8.70
FHLB	200,000	8.70
Negotiable CDs	546,000	23.75
STAR Ohio	<u>552,540</u>	<u>24.04</u>
Total	<u>\$ 2,298,540</u>	<u>100.00</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

**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 as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,785,511
Investments	<u>2,298,540</u>
Total	<u>\$ 7,084,051</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,896,113
Agency funds	<u>187,938</u>
Total	<u>\$ 7,084,051</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers from the general fund to:	
Nonmajor governmental funds	<u>\$ 19,334</u>
Total	<u>\$ 19,334</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**NOTE 6 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the ESC entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease as defined by Statement No. 13 of the FASB, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in the 2010 fiscal year totaled \$1,453. This amount is reflected as debt service principal retirement in the general fund. This capital lease obligation was completely retired during fiscal year 2010.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 7 - RISK MANAGEMENT**

**A. Comprehensive Insurance**

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ESC maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. During fiscal year 2010, the ESC contracted with The Auck Dostal Agency, Inc. for building insurance and with Ohio School Plan for general and auto liability. Coverages are as follows:

Building contents - replacement cost (\$5,000 deductible)	\$4,680,000
General liability per occurrence	5,000,000

Settled claims have not exceeded these coverages in any of the past three years. There has been no significant reduction in coverage from the prior year.

**B. Health Benefits**

For fiscal year 2010, the ESC has contracted with the Stark County Schools Council of Governments (a shared risk pool) (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The ESC pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The ESC's Governing Board pays a percentage of the premiums. For fiscal year 2010, the monthly premium for medical/prescription was \$1,182.02 for family coverage and \$486.61 for single coverage, the Board pays 85% and 90% respectively; dental was \$152.41 for family coverage and \$61.82 for single coverage, the Board pays 85% and 90% respectively; vision was \$32.36 for family coverage and \$12.97 for single coverage, with nothing paid by the Board; and life insurance was \$3.99 for family or single coverage and the Board pays 100%.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 9.

**C. Workers' Compensation**

For fiscal year 2010, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Comp Management Inc. provides administrative, cost control and actuarial services to the Plan.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The ESC contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, 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](http://www.ohsers.org), under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$285,698, \$208,908 and \$313,949, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 8 - 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 2010, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$832,643, \$883,275 and \$943,747, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**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, 2010, certain members of the Governing Board have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

**NOTE 9 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Chapter 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 2009 was \$96.40 and 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](http://www.ohsers.org), under *Employers/Audit Resources*.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

**NOTE 9 - 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 2010, 0.46 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 2010, 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 ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$60,543, \$169,569 and \$208,574, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$16,990, \$17,238 and \$24,377, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$64,049, \$67,944 and \$72,596, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

**NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 10 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

SUPPLEMENTAL  
INFORMATION

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Cash receipts:</b>			
From local sources:			
Tuition. . . . .	\$ 4,051,338	\$ 4,275,422	\$ 224,084
Contract services . . . . .	5,918,691	6,241,911	323,220
Earnings on investments. . . . .	89,545	116,045	26,500
Rentals. . . . .	389,566	389,566	-
Other . . . . .	37,259	43,468	6,209
Intergovernmental. . . . .	4,079,006	4,304,620	225,614
Total cash receipts . . . . .	<u>14,565,405</u>	<u>15,371,032</u>	<u>805,627</u>
<b>Cash disbursements:</b>			
Current:			
Instruction:			
Regular . . . . .	221,060	220,177	883
Special. . . . .	3,919,011	3,903,364	15,647
Support services:			
Pupil. . . . .	3,306,624	3,293,422	13,202
Instructional staff . . . . .	4,057,634	4,041,466	16,168
Board of education. . . . .	74,071	73,775	296
Administration. . . . .	1,452,483	1,446,684	5,799
Fiscal. . . . .	331,622	330,298	1,324
Business . . . . .	290,954	289,792	1,162
Operations and maintenance . . . . .	431,444	429,721	1,723
Central . . . . .	119,281	118,805	476
Total cash disbursements. . . . .	<u>14,204,184</u>	<u>14,147,504</u>	<u>56,680</u>
Excess of cash receipts over cash disbursements . . . . .	<u>361,221</u>	<u>1,223,528</u>	<u>862,307</u>
<b>Other financing sources (uses):</b>			
Refund of prior year expenditure . . . . .	5,671	5,985	314
Transfers (out) . . . . .	<u>(24,968)</u>	<u>(19,334)</u>	<u>5,634</u>
Total other financing sources (uses) . . . . .	<u>(19,297)</u>	<u>(13,349)</u>	<u>5,948</u>
Net change in fund cash balance . . . . .	341,924	1,210,179	868,255
<b>Fund cash balance at beginning of year . . . . .</b>	<u>5,738,266</u>	<u>5,738,266</u>	<u>-</u>
<b>Fund cash balance at end of year . . . . .</b>	<u>\$ 6,080,190</u>	<u>\$ 6,948,445</u>	<u>\$ 868,255</u>

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
MISCELLANEOUS FEDERAL GRANTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Cash receipts:</b>			
Intergovernmental . . . . .	\$ 1,859,759	\$ 1,754,145	\$ (105,614)
Total cash receipts . . . . .	<u>1,859,759</u>	<u>1,754,145</u>	<u>(105,614)</u>
<b>Cash disbursements:</b>			
Current:			
Instruction:			
Regular . . . . .	135,064	129,357	5,707
Support services:			
Pupil . . . . .	421,613	403,798	17,815
Instructional staff . . . . .	95,125	91,106	4,019
Administration . . . . .	106,224	101,736	4,488
Fiscal . . . . .	118,062	113,073	4,989
Central . . . . .	18,602	17,816	786
Other non-instructional services . . . . .	<u>954,434</u>	<u>914,105</u>	<u>40,329</u>
Total cash disbursements . . . . .	<u>1,849,125</u>	<u>1,770,991</u>	<u>78,134</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>10,634</u>	<u>(16,846)</u>	<u>(27,480)</u>
<b>Other financing sources :</b>			
Refund of prior year expenditure . . . . .	<u>194</u>	<u>183</u>	<u>(11)</u>
Total other financing sources . . . . .	<u>194</u>	<u>183</u>	<u>(11)</u>
Net change in fund cash balance . . . . .	10,828	(16,663)	(27,491)
<b>Fund cash balance (deficit)</b>			
at beginning of year . . . . .	(300,476)	(300,476)	-
Prior year encumbrances appropriated . .	136,449	136,449	-
<b>Fund cash balance (deficit)</b>			
at end of year . . . . .	<u>\$ (153,199)</u>	<u>\$ (180,690)</u>	<u>\$ (27,491)</u>



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

**NOTES TO THE SUPPLEMENTAL INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A – SIGNIFICANT ACCOUNTING POLICY**

The ESC has chosen to prepare its financial statements and notes on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

The ESC also prepares its budget on the cash basis of accounting. The differences between the schedule of cash receipts, cash disbursements and changes in fund balances – budget and actual (budgetary basis) (the “schedule”) and the statement of cash receipts, cash disbursements and changes in fund balances (the “statement”) are the reclassification of various receipts and disbursements made on the statements and not made on the schedules.

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**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Passed Through Grantor/ Program Title	Federal CFDA Number	Pass Through Grantor Number	Receipts	Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
<i>(Passed through the Ohio Department of Education)</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	2010 2009	\$ 71,822 7,634	\$ 71,822 7,634
Total School Breakfast Program			79,456	79,456
National School Lunch Program	10.555	2010 2009	120,084 12,557	120,084 12,557
Total National School Lunch Program			132,641	132,641
Total Child Nutrition Cluster			212,097	212,097
Child and Adult Care Food Program	10.558	2010	14,795	14,795
<b>Total U.S. Department of Agriculture</b>			<b>226,892</b>	<b>226,892</b>
<b><u>U.S. Department of Labor</u></b>				
<i>(Passed through the Ohio Department of Job &amp; Family Services)</i>				
<i>(Passed through the Area 10 Workforce Investment Board)</i>				
WIA Youth Activities	17.259	2010 2009	353,504 89,245	411,074 18,479
ARRA - WIA Youth Activities		2010 2009	465,832 33,791	465,832 19,902
Total WIA Youth Activities			942,372	915,287
<b>Total U.S. Department of Labor</b>			<b>942,372</b>	<b>915,287</b>
<b><u>U.S. Department of Education</u></b>				
<i>(Passed through the Ohio Department of Education)</i>				
Adult Education - State Grant Program	84.002	2009	1,611	1,296
Title I Grants to Local Educational Agencies	84.010	2009	10,600	
Special Education Cluster:				
Special Education - Preschool Grants	84.173	2010 2009	43,849 6,750	43,849 6,750
Total Special Education - Preschool Grants			50,599	50,599
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	58,314	79,229
Total Special Education Cluster			108,913	129,828
Twenty-First Century Community Learning Centers	84.287	2010	1,300	2,282
<i>Direct Program:</i>				
Teaching American History	84.215X	2010 2009	392,443 140,446	410,411 61,258
Total Teaching American History			532,889	471,669
Carol M. White Physical Education Program	84.215F	2010	266,984	267,353
<b>Total U.S. Department of Education</b>			<b>922,297</b>	<b>872,428</b>
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>(Passed through the Ohio Department of Job &amp; Family Services)</i>				
<i>(Passed through the Area 10 Workforce Investment Board)</i>				
Temporary Assistance for Needy Families	93.558	2010		16,758
<b>Totals</b>			<b>\$ 2,091,561</b>	<b>\$ 2,031,365</b>

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Mid Ohio Education Service Center's (the Center's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the Center to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Center has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Mary Taylor, CPA

Auditor of State

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

Mid-Ohio Educational Service Center  
Richland County  
890 West Fourth Street, Suite 100  
Mansfield, Ohio 44906

To the Board of Governors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mid Ohio Educational Service Center, Richland County, Ohio, (the Center) as of and for the year ended June 30, 2010, which collectively comprise the Center's cash basis basic financial statements and have issued our report thereon dated November 19, 2010, wherein we noted the Center follows the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated November 19, 2010.

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

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



**Mary Taylor, CPA**  
Auditor of State

November 19, 2010



# Mary Taylor, CPA

Auditor of State

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

Mid-Ohio Educational Service Center  
Richland County  
890 West Fourth Street, Suite 100  
Mansfield, Ohio 44906

To the Board of Governors:

### Compliance

We have audited the compliance of the Mid Ohio Educational Service Center, Richland County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Mid Ohio Educational Service Center, Richland County, Ohio, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The 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 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 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 noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Center's management in a separate letter dated November 19, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

November 19, 2010



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

**SCHEDULE OF FINDING  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 17.259 – WIA Youth Activities CFDA # 84.215X – Teaching American History CFDA # 84.215F – Carol M. White Physical Education Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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1. **Filing GAAP Basis Financial Statements**

<i>Finding Number</i>	2010-001
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NONCOMPLIANCE

**Ohio Rev. Code Section 117.38** provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. **Ohio Admin. Code Section 117-2-03** further clarifies the requirements of **Ohio Rev. Code Section 117.38**.

**Ohio Admin. Code Section 117-2-03(B)** requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Center prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the Center being fined or other administrative remedies.

The Center should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Official’s Response:** The decision to prepare cash basis financial statements is a decision the MOESC Board of Governors believes to be in the best interests of the organization and its client districts. Each year the Board evaluates the cost-benefit relationship of preparing GAAP statements and for the year ended June 30, 2010, the Board again made the decision that the significant dollars saved, outweighed the benefit received. The foundation for these cost-containment decisions is based on the premise that the ESC provides valuable services to its client districts and that these services be provided at the lowest possible cost. The Board will continue to evaluate this decision on an annual basis.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2009-001	<p><b>ORC Section 117.38 and OAC Section 117-2-03</b> require the Center to prepare its annual financial report in accordance with GAAP, however, the Center prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.</p>	No	Repeated as Finding Number 2010-001.

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**Mary Taylor, CPA**  
Auditor of State

**MID-OHIO EDUCATIONAL SERVICE CENTER**

**RICHLAND 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  
DECEMBER 30, 2010**