



Dave Yost • Auditor of State

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Assets – Fiduciary Funds.....	15
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	16
Notes to the Basic Financial Statements	17
Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	37
Notes to Supplemental Information.....	39
Independent Accountants' Report on Internal Controls Over Financial Reporting and Compliance and Other Matters Required by <i>Government Auditing Standards</i>	41

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Greene County Educational Service Center
Greene County
360 East Enon Road
Yellow Springs, Ohio 45387

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2012, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the ESC's basic financial statements taken as a whole. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund provides additional analysis and is not a required part of the basic financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 15, 2012

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

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

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The Integration of Schools and Mental Health Systems Grant awarded to the Educational Service Center in fiscal year 2011 was in its second year of three years.
- In the beginning of fiscal year 2012, the Educational Service Center was not contracted for six units of previously provided preschool classes. This not only affected the revenue received during the fiscal year but also caused the Educational Service Center to reduce staff levels.
- Employees of the Educational Service Center received a no base pay or step increases in fiscal year 2012.
- Administrative costs charged to contracted schools was reduced in fiscal year 2012 from 2011 from seven and a quarter percent to five and a quarter percent.

Using the Basic Financial Statements

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

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

Reporting the Educational Service Center as a Whole

Statement of Net Assets and the Statement of Activities

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

These two statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not.

In the statement of net assets and the statement of activities, the Educational Service Center only reports governmental activities. Governmental activities are the activities where most of the Educational Service Center's programs and services are reported including, but not limited to, instruction, support services, and operation and maintenance of plant.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page seven. Fund financial statements provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's only major fund is the General Fund.

Governmental Funds

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

The Educational Service Center as a Whole

Recall that the statement of net assets provides the perspective of the Educational Service Center as a whole.

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1			
Net Assets			
	2012	2011	Change
Assets:			
Current and Other Assets	\$3,229,200	\$3,993,446	(\$764,246)
Capital Assets, Net	632,679	669,943	(37,264)
Total Assets	3,861,879	4,663,389	(801,510)
Liabilities:			
Other Liabilities	1,673,205	1,895,191	(221,986)
Long-Term Liabilities	846,324	953,149	(106,825)
Total Liabilities	2,519,529	2,848,340	(328,811)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	632,679	602,888	29,791
Restricted	139,226	325,789	(186,563)
Unrestricted	570,445	886,372	(315,927)
Total Net Assets	\$1,342,350	\$1,815,049	(\$472,699)

Current and other assets decreased \$764,246 due mainly to the decrease in intergovernmental receivables from the second year of a three year grant being spent down in fiscal year 2012. Also, cash and cash equivalents decreased due to the decrease of preschool units as well as a decrease of administrative costs assessed to contracted schools.

Other liabilities decreased \$221,986 mainly due to a decrease in staffing levels which reduced accrued wages and intergovernmental payables. Capital leases were completely paid off in fiscal year 2012 which was the main reason for the reduction in long-term liabilities.

The large decrease in unrestricted net assets of \$315,927 was from loss of revenues from the decrease of preschool units.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

**Table 2
Changes in Net Assets**

	2012	2011	Change
Revenues:			
Program Revenues:			
Charges for Services	\$9,294,548	\$10,894,394	(\$1,599,846)
Operating Grants and Contributions	916,944	1,542,538	(625,594)
Total Program Revenues	<u>10,211,492</u>	<u>12,436,932</u>	<u>(2,225,440)</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs	1,188,888	1,428,781	(239,893)
Interest		190	(190)
Miscellaneous	177,486	179,579	(2,093)
Total General Revenues	<u>1,366,374</u>	<u>1,608,550</u>	<u>(242,176)</u>
Total Revenues	<u>11,577,866</u>	<u>14,045,482</u>	<u>(2,467,616)</u>
Program Expenses:			
Instruction:			
Regular	603,160	761,679	(158,519)
Special	2,737,417	3,409,241	(671,824)
Support Services:			
Pupils	5,782,247	6,326,836	(544,589)
Instructional Staff	1,889,488	2,220,793	(331,305)
Board of Education	29,692	25,634	4,058
Administration	293,029	285,618	7,411
Fiscal	270,173	267,643	2,530
Business	7,845	47,161	(39,316)
Operation and Maintenance of Plant	202,011	201,274	737
Central	3,383	13,445	(10,062)
Operation of Non-Instructional Services	2,850	4,155	(1,305)
Intergovernmental	227,283	226,876	407
Interest and Fiscal Charges	1,987	4,985	(2,998)
Total Expenses	<u>12,050,565</u>	<u>13,795,340</u>	<u>(\$1,744,775)</u>
Increase in Net Assets	(472,699)	250,142	
Net Assets at Beginning of Year	<u>1,815,049</u>	<u>1,564,907</u>	
Net Assets at End of Year	<u>\$1,342,350</u>	<u>\$ 1,815,049</u>	

Governmental Activities

In total, revenues decreased \$2,467,616 due mainly to a decrease in charges for services. The Educational Service Center not only reduced their administrative cost to contracted schools but it also was not contracted for six units of previously provided preschool classes. Operating grants and contributions also saw a large reduction due to the Intergration of Schools and Mental Health Systems Grant being in the second year of a three year available period.

Overall, expenses decreased \$1,744,775, due mainly to a decrease in staffing levels from the loss of six preschool units during the first part of fiscal year 2012.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

The Educational Service Center's Funds

Information about the Educational Service Center's major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,758,408 and expenditures of \$12,120,126. The net change in fund balance for the fiscal year in the General Fund was a \$357,781 decrease. The Educational Service Center covers its costs by combining State revenue with the revenue it realizes from the local school districts in the county. The intent is to realize a marginal profit. The districts are charged an estimated "cost of services" each month. At fiscal year-end, a reconciliation is performed to determine what a district may still owe or what a district may be owed. Typically, after the estimated amount is established, additional services may be requested. Usually, the revenue to cover these additional expenses is not received until after the reconciliation is performed. On occasion, this revenue is not received until well into the following fiscal year.

The Educational Service Center also has programs that are paid for with tuition charged to the districts using these programs. Expenses are realized in the fiscal year, but tuition invoices at the end of the fiscal year are typically not paid in a timely manner. The decrease in the General Fund balance is due to the reduction in preschool units serviced.

Capital Assets

Table 3 shows fiscal year 2012 balances compared to fiscal year 2011.

**Table 3
Capital Assets (Net of Depreciation) at June 30,**

	2012	2011
Land	\$161,360	\$161,360
Land Improvements	15,639	16,806
Building and Improvements	366,040	390,540
Furniture and Equipment	89,640	101,237
Totals	\$632,679	\$669,943

Overall capital assets, net of depreciation, decreased \$37,264 from fiscal year 2011. For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2012, the Educational Service Center paid off their capital lease obligation. Refer to Notes 12 and 13 of the basic financial statements for additional information.

Current Financial Issues and Concerns

The Educational Service Center provides services at the pleasure of the local, city, and exempted village school districts in Greene County. The majority of the services are special education in nature. The services these children are to be provided are mandated by IEP's, Individual Education Plans. The districts are required, by law, to serve these children. The school districts may provide the service through their own personnel, or contract out to have it provided. Most of the districts rely solely on the Educational Service Center to provide these services, while a few provide them with a combination of the Educational Service Center's staff and their own staff. The Educational Service Center has proven that purchasing the services from the Educational Service Center is a cost effective way for the districts to provide the services.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

One of the Educational Service Center's major concerns revolves around the loss of State support that the districts are realizing. The districts are required to make cuts in their general program to make funding available for these special education services that they are required to provide. There is very little fear that the districts will stop utilizing the Educational Service Center in providing these services. There is a fear that the districts could stop using the Educational Service Center to provide services that they are not required to provide.

The Educational Service Center's Alternative Education programs are, for the most part, elective programs. If financial constraints on the districts become large enough, and they choose not to enroll children in the programs, the programs will fail to support themselves. If this were to happen, the Educational Service Center would terminate these elective programs. The Alternative Education programs account for about \$650,000 of the Educational Service Center's annual costs and revenues.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact Chip Arledge, Treasurer, at Greene County Educational Service Center, 360 East Enon Road, Yellow Springs, Ohio 45387, or email at gcb_carledge@mveca.org.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,994,159
Intergovernmental Receivable	227,748
Prepaid Items	7,293
Non-depreciable Capital Assets	161,360
Depreciable Capital Assets, Net	471,319
Total Assets	3,861,879
 Liabilities:	
Accounts Payable	6,604
Accrued Wages and Benefits Payable	1,193,944
Intergovernmental Payable	428,389
Matured Compensated Absences Payable	44,268
Long-Term Liabilities:	
Due Within One Year	75,236
Due in More Than One Year	771,088
Total Liabilities	2,519,529
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	632,679
Restricted for Miscellaneous Federal Grants	87,238
Restricted for Other Purposes	51,988
Unrestricted	570,445
Total Net Assets	\$1,342,350

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total Governmental Activities</u>
Governmental Activities:			
Instruction:			
Regular	\$603,160	\$1,075,522	\$52,426
Special	2,737,417	2,157,735	751,255
Support Services:			
Pupils	5,782,247	4,556,886	66,425
Instructional Staff	1,889,488	1,504,405	
Board of Education	29,692		
Administration	293,029		
Fiscal	270,173		
Business	7,845		
Operation and Maintenance of Plant	202,011		
Central	3,383		
Operation of Non-Instructional Services	2,850		
Intergovernmental	227,283		
Interest and Fiscal Charges	1,987		
Total Governmental Activities	<u>\$12,050,565</u>	<u>\$9,294,548</u>	<u>\$916,944</u>
			<u>(1,839,073)</u>
General Revenues:			
Grants and Entitlements not Restricted to Specific Programs			1,188,888
Miscellaneous			177,486
Total General Revenues			<u>1,366,374</u>
Change in Net Assets			(472,699)
Net Assets at Beginning of Year			1,815,049
Net Assets at End of Year			<u>\$1,342,350</u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$2,930,736	\$63,423	\$2,994,159
Intergovernmental Receivable	81,992	145,756	227,748
Interfund	32,323		32,323
Prepaid Items	7,293		7,293
Total Assets	<u>3,052,344</u>	<u>209,179</u>	<u>3,261,523</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	6,604		6,604
Accrued Wages and Benefits Payable	1,167,578	26,366	1,193,944
Interfund Payable		32,323	32,323
Intergovernmental Payable	422,503	5,886	428,389
Matured Compensated Absences Payable	44,268		44,268
Deferred Revenue	4,215	86,948	91,163
Total Liabilities	<u>1,645,168</u>	<u>151,523</u>	<u>1,796,691</u>
Fund Balances:			
Non-spendable	7,293		7,293
Restricted		57,901	57,901
Assigned	23,338		23,338
Unassigned (Deficit)	1,376,545	(245)	1,376,300
Total Fund Balances	<u>1,407,176</u>	<u>57,656</u>	<u>1,464,832</u>
Total Liabilities and Fund Balances	<u>\$3,052,344</u>	<u>\$209,179</u>	<u>\$3,261,523</u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total Governmental Fund Balances \$1,464,832

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$161,360	
Land Improvements	25,344	
Building and Improvements	589,290	
Furniture and Equipment	278,173	
Vehicles		
Accumulated Depreciation	<u>(421,488)</u>	
		632,679

Long-term assets are not available to pay for the current period expenditures and therefore are deferred in the funds.

Intergovernmental		91,163
-------------------	--	--------

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated Absences		<u>(846,324)</u>
----------------------	--	------------------

Net Assets of Governmental Activities \$1,342,350

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental	\$1,928,273	\$358,101	\$2,286,374
Tuition and Fees	9,294,548		9,294,548
Miscellaneous	169,686	7,800	177,486
Total Revenues	<u>11,392,507</u>	<u>365,901</u>	<u>11,758,408</u>
Expenditures:			
Current:			
Instruction:			
Regular	549,685	52,453	602,138
Special	2,740,027	13,543	2,753,570
Support Services:			
Pupils	5,734,912	70,626	5,805,538
Instructional Staff	1,874,954		1,874,954
Board of Education	29,692		29,692
Administration	292,947		292,947
Fiscal	258,332		258,332
Business	10,347		10,347
Operation and Maintenance of Plant	190,350		190,350
Central		3,083	3,083
Operation of Non-Instructional Services		2,850	2,850
Intergovernmental		227,283	227,283
Debt Service:			
Principal Retirement	67,055		67,055
Interest and Fiscal Charges	1,987		1,987
Total Expenditures	<u>11,750,288</u>	<u>369,838</u>	<u>12,120,126</u>
Net Change in Fund Balances	(357,781)	(3,937)	(361,718)
Fund Balances at Beginning of Year	1,764,957	61,593	1,826,550
Fund Balances at End of Year	<u>\$1,407,176</u>	<u>\$57,656</u>	<u>\$1,464,832</u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

Net Change in Fund Balances - Total Governmental Funds	(\$361,718)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p>	
Capital Outlay	\$2,699
Depreciation Expense	<u>(39,963)</u>
Excess of Capital Outlay Under Depreciation Expense	(37,264)
<p>Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:</p>	
Capital Lease Payments	67,055
<p>Some revenues that will not be collected for several months after the Educational Service Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues changed by these amounts:</p>	
Intergovernmental Revenue	(180,542)
<p>Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:</p>	
Decrease in Compensated Absences	<u>39,770</u>
Change in Net Assets of Governmental Activities	<u><u>(\$472,699)</u></u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	<u>\$5,533</u>	<u>\$5,201</u>
Liabilities:		
Undistributed Monies	<u> </u>	<u>\$5,201</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$5,533</u>	

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Private Purpose Trust</u>
Additions:	
Deductions:	
Payments in Accordance with Trust Agreements	<u>\$1,000</u>
Change in Net Assets	(1,000)
Net Assets at Beginning of Year	<u>6,533</u>
Net Assets at End of Year	<u><u>\$5,533</u></u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Greene County Educational Service Center (the "Educational Service Center") is located in Yellow Springs, Ohio. The Educational Service Center supplies supervisory, special education, administrative and other services to the Cedar Cliff, Greenview, and Bellbrook-Sugarcreek Local School Districts, the Yellow Springs Exempted Village School District, and the Beavercreek, Fairborn and Xenia City School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Greene County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board members must be a resident of either Cedar Cliff, Greenview, or Bellbrook-Sugarcreek Local School Districts. The Educational Service Center has 169 employees, which includes 32 teachers, 44 special education therapists, 33 educational aides, 23 mental health therapists, 4 psychologists, 21 administrative employees, and 12 administrative support staff that provide services to the local, exempted village, and city school districts.

A. Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Greene County Educational Service Center, this includes general operations of the Educational Service Center.

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

The Educational Service Center participates in three jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 16 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Miami Valley Educational Computer Association
Southwestern Ohio Educational Purchasing Council
Greene County Family and Children First Council

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers'
Compensation Group Rating Plan
Ohio School Plan

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities that are governmental and those that are business-type. The Educational Service Center, however, has no business-type activities.

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

2. Fund Financial Statements:

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Educational Service Center fall within two categories: as governmental and fiduciary

1. Governmental Funds:

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

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

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

2. 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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's only fiduciary funds are a private purpose trust fund and an agency fund. The Private Purpose Trust Fund accounts for scholarship programs for students and teachers. The Educational Service Center's Agency Fund accounts for the Greene County Community Foundation.

C. Measurement Focus

1. Government-wide Financial Statements:

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements:

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means that the amount of the transaction can be determined and "available" means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within 60 days of fiscal year-end.

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

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

The Educational Service Center did not have any investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

The Educational Service Center's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of \$2,500. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-20 years
Building and Improvements	20-25 years
Furniture and Equipment	10-20 years

H. Accrued Liabilities and Long-term Obligations

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

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

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Educational Service Center.

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid. The un-matured portion of the liability is not reported.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets

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

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

K. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Educational Service Center Board.

5. Unassigned

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

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

L. Pass-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the school districts within the County. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in the Preschool Grant Fund, Parent Mentor Fund, and Miscellaneous Federal Grants Fund.

M. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

N. Estimates

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2012, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 59 addresses the changes to several GASB statements regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of these statements did not result in any changes in the Educational Service Center's financial statements.

4. DEPOSITS AND INVESTMENTS

Monies held by the Educational Service Center are classified by State statute into three categories.

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

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

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 held by the Educational Service Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

5. STATE AND LOCAL SCHOOL DISTRICT FUNDING

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city, local, and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's city, local, and exempted village school districts based on each school's total student count. The Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of the client school districts agree to the services and the apportionment of the costs to all of the client school districts.

The Educational Service Center also receives funding from the State Department of Education in the amount of \$30.17 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Education Service Center's local and client school districts an amount equal to \$12.00 times the school district's total student count and remits this amount to the Educational Service Center.

The Educational Service Center may contract with city, exempted village, local, joint vocational, or cooperative educational school districts to provide special education and related services or career-technical educational services. The individual boards of education pay the costs for these services directly to the Educational Service Center.

6. RECEIVABLES

Receivables at June 30, 2012, consisted of intergovernmental amounts in the form of excess costs, tuition, and student fees from other school districts and grants from other governments. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

6. RECEIVABLES (Continued)

<u>Governmental Activities:</u>	<u>Amounts</u>
Excess Costs	\$ 81,992
Mental Health Rehabilitation Grant	4,802
Substance Abuse and Mental Health Services Grant	10,803
IDEA Part - B	11,526
Integration of Schools and Mental Health Systems Grant	118,625
Total Intergovernmental Receivables	<u>\$227,748</u>

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/12</u>
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	\$161,360			\$161,360
Capital Assets, Being Depreciated:				
Land Improvements	25,344			25,344
Building and Improvements	589,290			589,290
Furniture and Equipment	275,474	\$ 2,699		278,173
Total Capital Assets, Being Depreciated	890,108	2,699		892,807
Less Accumulated Depreciation:				
Land Improvements	(8,538)	(1,167)		(9,705)
Building and Improvements	(198,750)	(24,500)		(223,250)
Furniture and Equipment	(174,237)	(14,296)		(188,533)
Total Accumulated Depreciation	(381,525)	(39,963) *		(421,488)
Capital Assets, Being Depreciated, Net	508,583	(37,264)		471,319
Governmental Activities Capital Assets, Net	<u>\$669,943</u>	<u>(\$37,264)</u>		<u>\$632,679</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$12,321
Support Services:	
Pupils	3,000
Instructional Staff	5,002
Administration	5,349
Fiscal	1,669
Operation and Maintenance of Plant	12,322
Central	300
Total Depreciation Expense	<u>\$39,963</u>

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

8. RISK MANAGEMENT

A. Property and Liability

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

The Educational Service Center does not own any vehicles. The vehicles owned by employees who travel are covered under a business policy with the Ohio Casualty Company.

During fiscal year 2012, the Educational Service Center, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP (See Note 16). The Educational Service Center contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in insurance coverage from the last fiscal year.

B. Workers' Compensation

For fiscal year 2012, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2012, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 16). The Educational Service Center pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The Educational Service Center participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$342,484, \$327,900 and \$327,514, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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 multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The Educational Service Center's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan was \$717,742 for the fiscal year ended June 30, 2012, \$867,263 for the fiscal year ended June 30, 2011, and \$888,940 for the fiscal year ended June 30, 2010. For fiscal year 2012, 82.43 percent has been contributed for the DB plan and Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010. Information for contributions to the DC and Combined Plans for fiscal year 2012 is not available.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, one member of the Governing Board has elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The Educational Service Center participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

10. 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 fiscal year 2012, 1.3 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$41,933 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$58,177, \$90,887, and \$62,972; respectively, 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$20,305, \$21,101 and \$19,447; respectively, 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The Educational Service Center participates in the cost-sharing multiple-employer defined benefit Health 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$55,211, \$66,713, and \$68,380 respectively. For fiscal year 2012, 82.43 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

11. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from board policy and State laws. All 12 month employees earn 15 to 25 days of vacation per fiscal year, depending upon length of service. Employees may accumulate five vacation days over their yearly maximum allowance at any time during a contract year. Accumulated, unused vacation time is paid to all staff who have any accumulated vacation upon termination of employment. Teachers do not earn vacation time.

All regular, full-time employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave is converted to sick leave at fiscal year-end. Accumulated, unused personal leave is not paid to employees upon termination of employment. All regular, part-time staff earn personal leave at a prorated rate based upon the percentage of time they work compared to full-time.

All regular, full-time teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon retirement, employees with 10 or more years of current service with the Educational Service Center receive payment for one-fourth of accrued, but unused sick leave credit to a maximum of 65 days. For those employees with less than 10 years of service, the maximum leave payment is 40 days. To be eligible for the sick leave payout, the employee must show acceptance into STRS or SERS. If the employee is a rehired retiree, no sick leave is paid out at termination of service.

B. Insurance Benefits

The Educational Service Center provides dental insurance, life insurance, vision insurance and accidental death and dismemberment insurance to most employees through Delta Dental, Sun Life, Vision Service Plan, and Anthem EPC, respectively.

C. Deferred Compensation Plan

Employees may elect to participate in the ING Financial Ohio Association of School Board Officials (OASBO) Deferred Compensation Plan or the Ohio Public Employees Deferred Compensation Plan in accordance with Internal Revenue Code Section 457. The employees may also participate in a qualified annuity plan, sponsored by multiple providers, in accordance with Internal Revenue Code Section 403(b). Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

12. CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2003, the Educational Service Center entered into a lease-purchase agreement for the purchase and renovation of the land and building where the Educational Service Center is housed, instead of continuing to make rental payments. The initial term of the agreement was July 25, 2002, until June 30, 2003, provided that U. S. Bank and/or the Educational Service Center will have the right each year to either renew for an additional one-year renewable term until the end of the lease or pay off the total amount outstanding at that time. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments made during fiscal year 2012 totaled \$67,055 in the General Fund. The Educational Service Center paid the lease off at the end of fiscal year 2012.

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Land	\$161,360		\$161,360
Building and Improvements	338,640	\$135,460	203,180
Totals	\$500,000	\$135,460	\$364,540

13. LONG-TERM OBLIGATIONS

	Amounts Outstanding 6/30/11	Additions	Deductions	Amounts Outstanding 6/30/12	Amounts Due Within One Year
Governmental Activities					
Capital Lease Obligation	\$ 67,055		\$67,055		
Compensated Absences	886,094	\$100,649	140,419	\$846,324	\$75,236
Total Governmental Activities					
Long-Term Liabilities	\$953,149	\$100,649	\$207,474	\$846,324	\$75,236

Compensated absences will be paid from the General Fund and the CORSP Program Fund. Capital leases were paid from the General Fund.

14. INTERFUND ACTIVITY

Interfund balances at June 30, 2012, consist of the following interfund receivables and payables:

		Receivable
		General Fund
Payable	Other Governmental Funds	\$32,323

General Fund advanced money to the Parent Mentor and Miscellaneous Federal Grant Funds to cover negative cash balances. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use those restricted monies to reimburse the General Fund for the initial advance.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

15. FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and other governmental funds are presented below:

Fund Balances	General	Other Governmental Funds	Total
Non-spendable:			
Prepaid Items	\$7,293		\$ 7,293
Restricted for:			
Preschool and Work Study Grants		\$50,213	50,213
Management Information System		7,398	7,398
Mental Health and Family Civic Grants		290	290
Total Restricted		57,901	57,901
Assigned to:			
Preschool Programs	12,109		12,109
Unspent Obligations	11,229		11,229
Total Assigned	23,338		23,338
Unassigned (Deficit)	1,376,545	(245)	1,376,300
Total Fund Balances	\$1,407,176	\$57,656	\$1,464,832

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND PUBLIC ENTITY SHARED RISK POOL

A. Jointly Governed Organizations

Miami Valley Educational Computer Association - The Educational Service Center is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, Highland and Madison Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$8,773 for services provided during fiscal year 2012. Financial information can be obtained from Joan Corbitt, who serves as Treasurer, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Southwestern Ohio Educational Purchasing Council – The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2012, the Educational Service Center paid \$300 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Greene County Family and Children First Council - The Greene County Family and Children First Council (Council) is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: the Director of the Board of Alcohol, Drug Addiction and Mental Health Services that serves Greene County, the Health Commissioner of the Board of Greene County, the Director of the Greene County Department of Human Services, the Executive Director of Greene County's Children Services Board, the Superintendent of Greene County's Board of Developmental Disabilities, the Greene County Juvenile Court Judge, the Superintendents of all School Districts and Educational Service Centers within the County, a representative of the largest city in the County, the Chair of the Board of Greene County Commissioners, a representative of the regional office of the Department of Youth Services, a representative of Head Start services in Greene County, a representative of Greene County's Early Intervention Collaborative, and at least three individuals representing families residing in Greene County. When possible, the number of members representing families will be equal to 20 percent of the Council's remaining membership.

In fiscal year 2012, the Educational Service Center made a \$550 payment to the Council. Continued existence of the Council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding.

B. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all participants. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

16. JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND PUBLIC ENTITY SHARED RISK POOL (Continued)

Ohio School Plan - The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

C. Public Entity Shared Risk Pool

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust - The Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust) is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

17. CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2012.

B. Litigation

The Educational Service Center is party in legal proceedings. The Educational Service Center is of the opinion that the ultimate disposition of claims and legal proceedings will not have material effect, if any, on the financial condition of the Educational Service Center.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$2,161,099	\$1,940,390	\$1,968,249	\$27,859
Tuition and Fees	9,555,327	9,294,519	9,363,811	69,292
Miscellaneous	143,959	167,311	196,222	28,911
Total Revenues	<u>11,860,385</u>	<u>11,402,220</u>	<u>11,528,282</u>	<u>126,062</u>
Expenditures:				
Current:				
Instruction:				
Regular	636,186	612,388	564,058	48,330
Special	2,674,020	2,757,801	2,705,088	52,713
Support Services:				
Pupils	5,667,080	5,758,480	5,657,497	100,983
Instructional Staff	1,998,053	2,031,444	1,897,728	133,716
Board of Education	34,708	34,708	28,859	5,849
Administration	333,837	335,470	293,672	41,798
Fiscal	281,150	271,451	264,770	6,681
Business	21,680	24,485	11,625	12,860
Operation and Maintenance of Plant	263,120	269,120	192,175	76,945
Capital Outlay	141,000	145,050	70,098	74,952
Total Expenditures	<u>12,050,834</u>	<u>12,240,397</u>	<u>11,685,570</u>	<u>554,827</u>
Excess of Revenues Over (Under) Expenditures	(190,449)	(838,177)	(157,288)	680,889
Other Financing Uses:				
Refund of Prior Year Receipts	<u>(414,353)</u>	<u>(403,195)</u>	<u>(313,080)</u>	<u>90,115</u>
Net Change in Fund Balance	(604,802)	(1,241,372)	(470,368)	771,004
Fund Balance at Beginning of Year	3,352,494	3,352,494	3,352,494	
Prior Year Encumbrances Appropriated	60,489	60,489	60,489	
Fund Balance at End of Year	<u>\$2,808,181</u>	<u>\$2,171,611</u>	<u>\$2,942,615</u>	<u>\$771,004</u>

See Accompanying Notes to the Supplemental Information.

This page intentionally left blank.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - BUDGETARY PROCESS

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The schedule of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual is presented for the General Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

**NOTES TO THE SUPPLEMENTAL INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING (Continued)

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	(\$357,781)
Revenue Accruals	135,775
Expenditure Accruals	(227,918)
Encumbrances	(20,444)
Budget Basis	<u>(\$470,368)</u>



Dave Yost • Auditor of State

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

Greene County Educational Service Center
Greene County
360 East Enon Road
Yellow Springs, Ohio 45387

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Greene County Educational Service Center, Greene County, (the ESC) as of and for the year ended June 30, 2012, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated August 15, 2012. 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 ESC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the ESC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ESC'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 ESC'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 ESC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

Greene County Educational Service Center
Greene County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and others within the ESC. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

August 15, 2012



Dave Yost • Auditor of State

GREENE COUNTY EDUCATION SERVICE CENTER

GREENE 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
SEPTEMBER 6, 2012