

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

*FOR THE PERIOD JULY 1, 2011- DECEMBER 31, 2011*

**DAN STANTON, TREASURER/CFO**





# Dave Yost • Auditor of State

Board of Directors  
Perry-Hocking Educational Service Center  
1605 Airport Road  
New Lexington, Ohio 43764

We have reviewed the *Independent Accountants' Report* of the Perry-Hocking Educational Service Center, Perry County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 6, 2012

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**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY, OHIO**

TABLE OF CONTENTS

Independent Accountants' Report .....	1 - 2
Management's Discussion and Analysis .....	3 - 8
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 Net Assets - Governmental Activities - Internal Service Fund .....	15
Statement of Revenues, Expenses and Changes in Fund Net Assets - Governmental Activities - Internal Service Fund.....	16
Statement of Cash Flows - Governmental Activities - Internal Service Fund.....	17
Statement of Fiduciary Assets and Liabilities - Agency Fund .....	18
Notes to the Basic Financial Statements.....	19 - 39
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Budget Basis) and Actual	
General Fund .....	40
Miscellaneous Federal Grant Fund.....	41
Notes to the Supplementary Information.....	42 - 43
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	44
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	45 - 46
Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> .....	47 - 48
Schedule of Findings <i>OMB Circular A-133 §.505</i> .....	49

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Accountants' Report

Perry-Hocking Educational Service Center  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry-Hocking Educational Service Center, Perry County, Ohio, as of and for the period July 1, 2011 through December 31, 2011, which collectively comprise the Perry-Hocking Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Perry-Hocking Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry-Hocking Educational Service Center, Perry County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the period July 1, 2011 through December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, the Perry-Hocking Educational Service Center merged with the Muskingum Valley Educational Service Center as of January 1, 2012.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012, on our consideration of the Perry-Hocking Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Board of Directors  
Perry-Hocking Educational Service Center  
Page Two

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 Perry-Hocking Educational Service Center's basic financial statements taken as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Budget Basis) and Actual for the General and Miscellaneous Federal Grant funds and notes to the supplementary information on pages 40 - 43 provide additional analysis and are not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards on page 44 provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and is also not a required part of the basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Budget Basis) and Actual for the General and Miscellaneous Federal Grant funds, notes to the supplementary information and the Schedule of Receipts and Expenditures of Federal Awards are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules and notes were 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.



Julian & Grube, Inc.  
August 10, 2012



**Perry-Hocking Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Period July 1, 2011 through December 31, 2011*  
*Unaudited*

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The discussion and analysis of the Perry-Hocking Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the six month fiscal period ended December 31, 2011. 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 notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

## **FINANCIAL HIGHLIGHTS**

Key financial highlights as of December 31, 2011 are as follows:

- In total, net assets decreased \$423,361.
- Program specific revenues, in the form of charges for services and sales and operating grants and contributions, accounted for \$2,500,374, or 93 percent of total revenues.
- The Educational Service Center had \$3,107,470 in total expenses. A portion of these expenses were offset by program specific charges for services and sales and operating grants and contributions.

## **USING THIS ANNUAL FINANCIAL REPORT**

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 Perry-Hocking 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 and conditions.

The Statement of Net Assets and 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.

### ***Reporting the Educational Service Center as a Whole***

#### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the Educational Service Center to provide programs and activities for students, 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 the time period July 1, 2011 through December 31, 2011?" 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 similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current period'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, some not. Non-financial factors include the mandated educational programs, as well as locally requested programs.

All of the Educational Service Center's programs and services provided are reported as governmental activities. These activities include instruction, support services, non-instructional services, and extracurricular activities.

**Perry-Hocking Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Period July 1, 2011 through December 31, 2011*  
*Unaudited*

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***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 8. 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 major governmental funds are the General Fund and the Miscellaneous Federal Grants Special Revenue Fund.

***Governmental Funds*** Most 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 governmental 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.

***Proprietary Funds*** Proprietary fund reporting focuses on the determination of operating revenues over (under) operating expenses and changes in net assets. Proprietary funds are classified as enterprise or internal service and the Educational Service Center only has an internal service fund which is used to account for their self-insurance program for employee dental, vision and healthcare reimbursement claims.

***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. The Educational Service Center's fiduciary fund is an agency fund which is used to maintain financial activity of the Educational Service Center employee flexible spending plans. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**Perry-Hocking Educational Service Center**  
*Management's Discussion and Analysis*  
For the Period July 1, 2011 through December 31, 2011  
Unaudited

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**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 as of December 31, 2011 as compared to June 30, 2011.

Table 1  
Net Assets

	Governmental Activities	
	December 31, 2011	June 30, 2011
<b>Assets</b>		
Current and Other Assets	\$ 782,774	\$ 1,553,559
Capital Assets, Net	491,953	473,597
<b>Total Assets</b>	1,274,727	2,027,156
<b>Liabilities</b>		
Long-Term Liabilities	161,428	178,763
Current and Other Liabilities	698,001	1,009,734
<b>Total Liabilities</b>	859,429	1,188,497
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	470,534	445,178
Restricted	22,296	121,597
Unrestricted (Deficit)	(77,532)	271,884
<b>Total Net Assets</b>	\$ 415,298	\$ 838,659

Total net assets decreased \$423,361. This change is due to the factors mentioned below. Current and other assets decreased \$770,785. This decrease is primarily due to a decrease in accounts receivable, and intergovernmental receivable, as well as, a decrease in cash on hand in December and is a result of decreased services provided due to the planned merger with Muskingum Valley Educational Service Center. Long-term liabilities decreased primarily resulting from a decrease in compensated absences due to lower balances and payouts to employees made during the fiscal period. Current and other liabilities decreased due to a decrease in accounts payable.

**Perry-Hocking Educational Service Center**  
*Management's Discussion and Analysis*  
For the Period July 1, 2011 through December 31, 2011  
Unaudited

Table 2 shows the changes in net assets for the six month fiscal period ended December 31, 2011 and the fiscal year ended June 30, 2011.

Table 2  
Changes in Net Assets

	Governmental Activities <u>December 31, 2011*</u>	Governmental Activities <u>June 30, 2011</u>
<b>Revenues</b>		
Program Revenues		
Charges for Services and Sales	\$ 1,740,447	\$ 4,367,026
Operating Grants and Contributions	759,927	1,803,058
Total Program Revenues	<u>2,500,374</u>	<u>6,170,084</u>
General Revenues		
Grants and Entitlements Not Restricted	126,632	306,350
Investment Earnings	514	1,348
Gain on Sale of Capital Assets	-	5,248
Miscellaneous	56,589	32,839
Total General Revenues	<u>183,735</u>	<u>345,785</u>
Total Revenues	<u>2,684,109</u>	<u>6,515,869</u>
<b>Program Expenses</b>		
Instruction:		
Regular	430,858	700,550
Special	271,089	819,380
Adult/Continuing	13,246	26,197
Other	57,258	202,880
Support Services:		
Pupils	797,751	1,591,396
Instructional Staff	801,778	1,629,443
Board of Education	40,655	30,955
Administration	315,808	483,726
Fiscal	153,899	241,295
Operation and Maintenance of Plant	115,198	163,192
Pupil Transportation	14,110	28,783
Central	48,553	129,952
Operation of Non-Instructional Services	43,679	58,055
Extracurricular Activities	2,567	3,875
Interest and Fiscal Charges	1,021	2,852
Total Expenses	<u>3,107,470</u>	<u>6,112,531</u>
Change in Net Assets	(423,361)	403,338
Net Assets, Beginning of Year	838,659	435,321
Net Assets, End of Year	<u>\$ 415,298</u>	<u>\$ 838,659</u>

\*Six Month Fiscal Period Ended.

**Perry-Hocking Educational Service Center**  
*Management's Discussion and Analysis*  
For the Period July 1, 2011 through December 31, 2011  
Unaudited

**Governmental Activities**

Charges for services and sales comprised 65 percent of revenue for governmental activities, while operating grants and contributions comprised 28 percent of revenue for governmental activities of the Educational Service Center for the six month fiscal period ended December 31, 2011.

As indicated by governmental program expenses, support services are emphasized. Support services instructional staff comprised 26 percent of governmental program expenses with support services pupils and support services administration comprising 26 and 10 percent, respectively, of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3  
Governmental Activities

	<u>Total Cost of Services December 31, 2011*</u>	<u>Net Cost of Services December 31, 2011*</u>	<u>Total Cost of Services June 30, 2011</u>	<u>Net Cost of Services June 30, 2011</u>
Program Expenses				
Instruction:				
Regular	\$ 430,858	\$ 71,928	\$ 700,550	\$ (14,839)
Special	271,089	57,812	819,380	10,562
Adult/Continuing	13,246	2,395	26,197	(2,123)
Other	57,258	14,563	202,880	(58)
Support Services:				
Pupils	797,751	156,767	1,591,396	(43,339)
Instructional Staff	801,778	175,238	1,629,443	(23,481)
Board of Education	40,655	7,336	30,955	828
Administration	315,808	55,562	483,726	(290)
Fiscal	153,899	29,622	241,295	2,612
Operation and Maintenance of Plant	115,198	14,784	163,192	18,410
Pupil Transportation	14,110	2,498	28,783	(2,224)
Central	48,553	9,517	129,952	(199)
Operation of Non-Instructional Services	43,679	8,385	58,055	(3,166)
Extracurricular Activities	2,567	504	3,875	(321)
Interest and Fiscal Charges	1,021	185	2,852	75
Total	<u>\$ 3,107,470</u>	<u>\$ 607,096</u>	<u>\$ 6,112,531</u>	<u>\$ (57,553)</u>

\*Six Month Fiscal Period Ended.

**Perry-Hocking Educational Service Center**  
*Management's Discussion and Analysis*  
For the Period July 1, 2011 through December 31, 2011  
Unaudited

**THE EDUCATIONAL SERVICE CENTER FUNDS**

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$2,748,948 and expenditures and other financing uses of \$3,105,298. The net change in fund balance for the year was most significant in the General Fund.

The fund balance in the Miscellaneous Federal Grants Fund decreased \$50,619 due to expenditures exceeding revenues for the current year.

The fund balance of the General Fund decreased \$201,881 due to expenditures exceeding revenues for the current year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At December 31, 2011, the Educational Service Center had \$491,953 invested in land, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows December 31, 2011 balances compared to June 30, 2011.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	December 31, 2011	June 30, 2011
Land	\$ 193,898	\$ 193,898
Buildings and Improvements	169,613	174,938
Furniture, Fixtures and Equipment	128,442	104,761
Totals	\$ 491,953	\$ 473,597

For additional capital asset information, see Note 7 to the basic financial statements.

***Debt***

At December 31, 2011, the Educational Service Center had capital leases outstanding of \$21,419 for copiers. For additional information on debt, see Note 12 to the basic financial statements.

**CURRENT FINANCIAL RELATED ACTIVITIES**

As the preceding shows, the ESC relied heavily upon contracts with city and local school districts, state foundation revenue and grants.

As a result of current economic situations facing the Education Service Center and to achieve the best interest of students, parents and school districts involved, the Educational Service Center agreed to merge with the Muskingum Valley Educational Service Center. The merger was effective January 1, 2012. See Note 19 to the basic financial statements for additional information.

**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 any questions about this report or need additional financial information, contact Christine Wagner, Treasurer at Muskingum Valley Educational Service Center, 205 North Seventh Street, Zanesville, Ohio 43701-3709.

**Perry-Hocking Educational Service Center**  
*Statement of Net Assets*  
*December 31, 2011*

	Governmental Activities
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 604,625
Accounts Receivable	143,287
Intergovernmental Receivable	34,862
Noncurrent Assets:	
Non-Depreciable Capital Assets	193,898
Depreciable Capital Assets, net	298,055
<i>Total Assets</i>	1,274,727
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	37,037
Accrued Wages and Benefits	515,080
Intergovernmental Payable	131,649
Matured Compensated Absences Payable	7,915
Claims Payable	6,320
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	22,843
Due in More Than One Year	138,585
<i>Total Liabilities</i>	859,429
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	470,534
Restricted for Capital Outlay	4,478
Restricted for Other Purposes	17,818
Unrestricted	(77,532)
<i>Total Net Assets</i>	\$ 415,298

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

**Perry-Hocking Educational Service Center**  
*Statement of Activities*  
For the Period July 1, 2011 through December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 430,858	\$ 260,307	\$ 98,623	\$ (71,928)
Special	271,089	200,233	13,044	(57,812)
Adult/Continuing	13,246	-	10,851	(2,395)
Other	57,258	9,140	33,555	(14,563)
Support Services:				
Pupils	797,751	501,892	139,092	(156,767)
Instructional Staff	801,778	427,338	199,202	(175,238)
Board of Education	40,655	31,281	2,038	(7,336)
Administration	315,808	127,290	132,956	(55,562)
Fiscal	153,899	88,622	35,655	(29,622)
Operation and Maintenance of Plant	115,198	66,138	34,276	(14,784)
Pupil Transportation	14,110	1,607	10,005	(2,498)
Central	48,553	14,270	24,766	(9,517)
Operation of Non-Instructional Services	43,679	11,543	23,751	(8,385)
Extracurricular Activities	2,567	-	2,063	(504)
Interest and Fiscal Charges	1,021	786	50	(185)
<i>Total Governmental Activities</i>	<u>\$ 3,107,470</u>	<u>\$ 1,740,447</u>	<u>\$ 759,927</u>	<u>(607,096)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				126,632
Investment Earnings				514
Miscellaneous				56,589
<i>Total General Revenues</i>				<u>183,735</u>
<i>Change in Net Assets</i>				(423,361)
<i>Net Assets Beginning of Year</i>				<u>838,659</u>
<i>Net Assets End of Year</i>				<u>\$ 415,298</u>

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



**Perry-Hocking Educational Service Center**  
*Balance Sheet*  
*Governmental Funds*  
*December 31, 2011*

	General	Miscellaneous Federal Grants	All Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 398,218	\$ -	\$ 39,328	\$ 437,546
Accounts Receivable	142,787	-	-	142,787
Interfund Receivable	24,903	-	-	24,903
Intergovernmental Receivable	-	34,616	246	34,862
<i>Total Assets</i>	<u>\$ 565,908</u>	<u>\$ 34,616</u>	<u>\$ 39,574</u>	<u>\$ 640,098</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 17,160	\$ 9,596	\$ 10,281	\$ 37,037
Accrued Wages and Benefits	466,928	18,680	29,472	515,080
Interfund Payable	-	21,158	3,745	24,903
Intergovernmental Payable	115,630	11,294	4,725	131,649
Matured Compensated Absences Payable	7,915	-	-	7,915
<i>Total Liabilities</i>	<u>607,633</u>	<u>60,728</u>	<u>48,223</u>	<u>716,584</u>
<b>FUND BALANCES:</b>				
Restricted	-	-	12,751	12,751
Unassigned	(41,725)	(26,112)	(21,400)	(89,237)
<i>Total Fund Balances</i>	<u>(41,725)</u>	<u>(26,112)</u>	<u>(8,649)</u>	<u>(76,486)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 565,908</u>	<u>\$ 34,616</u>	<u>\$ 39,574</u>	<u>\$ 640,098</u>

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

**Perry-Hocking Educational Service Center**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
December 31, 2011*

<b>Total Governmental Fund Balances</b>		\$ (76,486)
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		491,953
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		161,259
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases	(21,419)	
Compensated Absences	(140,009)	
	(161,428)	(161,428)
<b>Net Assets of Governmental Activities</b>		<b>\$ 415,298</b>

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

**Perry-Hocking Educational Service Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Period July 1, 2011 through December 31, 2011*

	General	Miscellaneous Federal Grants	All Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Intergovernmental	\$ 240,013	\$ 426,880	\$ 244,143	\$ 911,036
Interest	514	-	-	514
Contract Services	1,303,581	-	-	1,303,581
Tuition and Fees	436,866	-	-	436,866
Miscellaneous	55,839	-	250	56,089
<i>Total Revenues</i>	<u>2,036,813</u>	<u>426,880</u>	<u>244,393</u>	<u>2,708,086</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	331,148	2,425	96,145	429,718
Special	260,157	-	-	260,157
Adult/Continuing	-	-	13,177	13,177
Other	11,879	40,024	-	51,903
<b>Support Services:</b>				
Pupils	642,087	121,523	9,734	773,344
Instructional Staff	553,735	117,192	87,620	758,547
Board of Education	40,655	-	-	40,655
Administration	198,371	101,007	52,102	351,480
Fiscal	108,792	24,834	11,452	145,078
Operation and Maintenance of Plant	88,775	-	36,246	125,021
Pupil Transportation	2,088	12,022	-	14,110
Central	18,546	28,944	-	47,490
Operation of Non-Instructional Services	15,240	27,928	-	43,168
Extracurricular Activities	62	-	2,505	2,567
<b>Debt Service:</b>				
Principal	7,000	-	-	7,000
Interest	1,021	-	-	1,021
<i>Total Expenditures</i>	<u>2,279,556</u>	<u>475,899</u>	<u>308,981</u>	<u>3,064,436</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(242,743)</u>	<u>(49,019)</u>	<u>(64,588)</u>	<u>(356,350)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	40,862	-	-	40,862
Transfers Out	-	(1,600)	(39,262)	(40,862)
<i>Total Other Financing Sources (Uses)</i>	<u>40,862</u>	<u>(1,600)</u>	<u>(39,262)</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(201,881)	(50,619)	(103,850)	(356,350)
<i>Fund Balances at Beginning of Year</i>	<u>160,156</u>	<u>24,507</u>	<u>95,201</u>	<u>279,864</u>
<i>Fund Balances at End of Year</i>	<u>\$ (41,725)</u>	<u>\$ (26,112)</u>	<u>\$ (8,649)</u>	<u>\$ (76,486)</u>

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

**Perry-Hocking Educational Service Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Period July 1, 2011 through December 31, 2011*

<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ (356,350)</b>
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period:		
Capital Asset Additions	43,866	
Depreciation Expense	<u>(25,510)</u>	18,356
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Intergovernmental	<u>(24,477)</u>	(24,477)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(78,225)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		7,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Decrease in Compensated Absences	<u>10,335</u>	<u>10,335</u>
<b>Change in Net Assets of Governmental Activities</b>		<b><u><u>\$ (423,361)</u></u></b>

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

**Perry-Hocking Educational Service Center**  
*Statement of Net Assets - Governmental Activities*  
*Internal Service Fund*  
*December 31, 2011*

	Internal Service
<b>ASSETS:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 167,079
Accounts Receivable	500
<i>Total Assets</i>	<i>167,579</i>
<b>LIABILITIES:</b>	
Current Liabilities:	
Claims Payable	6,320
<i>Total Liabilities</i>	<i>6,320</i>
<b>NET ASSETS:</b>	
Unrestricted	161,259
<i>Total Net Assets</i>	<i>\$ 161,259</i>

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

**Perry-Hocking Educational Service Center**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets - Governmental Activities*  
*Internal Service Fund*  
For the Period July 1, 2011 through December 31, 2011

	Internal Service
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 493,514
Miscellaneous Revenue	500
	494,014
 <i>Total Operating Revenues</i>	
<b>OPERATING EXPENSES:</b>	
Purchased Services	8,197
Claims	564,042
	572,239
 <i>Total Operating Expenses</i>	
	(78,225)
 <i>Change in Net Assets</i>	
	239,484
 <i>Net Assets at Beginning of Year</i>	
	\$ 161,259
 <i>Net Assets at End of Year</i>	

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

**Perry-Hocking Educational Service Center**  
*Statement of Cash Flows - Governmental Activities*  
*Internal Service Fund*  
For the Period July 1, 2011 through December 31, 2011

	Internal Service
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 493,514
Cash Payments for Claims	(568,326)
Cash Payments for Purchased Services	(8,197)
<i>Net Cash Provided by (Used for) Operating Activities</i>	(83,009)
<i>Net Decrease in Cash and Cash Equivalents</i>	(83,009)
Cash and Cash Equivalents at Beginning of Year	250,088
Cash and Cash Equivalents at End of Year	\$ 167,079
<i>Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities</i>	
Operating Loss	\$ (78,225)
<i>Changes in Assets/Liabilities:</i>	
Increase in Accounts Receivable	(500)
Decrease in Claims Payable	(4,284)
<i>Net Cash Provided by (Used for) Operating Activities</i>	\$ (83,009)

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

**Perry-Hocking Educational Service Center**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*December 31, 2011*

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ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 5,962</u>
<i>Total Assets</i>	<u><u>\$ 5,962</u></u>
LIABILITIES:	
Undistributed Monies	<u>\$ 5,962</u>
<i>Total Liabilities</i>	<u><u>\$ 5,962</u></u>

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



**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 1 – Reporting Entity**

The Perry-Hocking Educational Service Center (the “Educational Service Center”) is located in New Lexington, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Southern, Logan-Hocking Local School Districts, the New Lexington City School District, and the Crooksville Exempted Village School District. The Educational Service Center furnishes these services to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has two administrators, 69 certified teaching personnel, and 81 classified employees that provide services to 7,901 students from the local, exempted village, and city school districts.

A reporting entity is composed 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 Educational Service Center, this includes general operations, preschool, adult/continuing instruction, and student-related activities.

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 four jointly governed organizations and two insurance purchasing pools. These organizations are the Southeast Ohio Voluntary Educational Consortium, Tri-County Career Center, the Mid-East Career and Technology Centers, the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Ohio School Plan, which are presented in Notes 13 and 14 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Educational Service Center have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Educational Service Center's accounting policies are described below.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the Educational Service Center that are governmental and those that are classified as business-type activities. However, the Educational Service Center has no activities that are classified as 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 therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the 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.

**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. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**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 used by the Educational Service Center can be classified using three categories: governmental, proprietary, and fiduciary.

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

**General Fund** – The General Fund is the general operating fund of the Educational Service Center and is used to account for all financial resources not accounted for and reported in another fund. The General Fund is available to the Educational Service Center for any purpose provided it is expended or transferred according to the school laws of Ohio.

**Miscellaneous Federal Grants Fund** – The Miscellaneous Federal Grants Fund is used to account for various monies received through state agencies from the federal government or directly from the federal government which are not classified elsewhere. The major source of revenue for this fund is grant monies received from various federal sources.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 2 - Summary of Significant Accounting Policies** *(Continued)*

**B. Fund Accounting** *(Continued)*

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

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Educational Service Center has no enterprise funds.

**Internal Service Fund** The Internal Service Fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Educational Service Center on a cost reimbursement basis. The Educational Service Center's only Internal Service Fund accounts for the Educational Service Center's self-insurance program for employee dental, vision, and healthcare reimbursement claims.

**Fiduciary Fund Type** 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 the measurement of results of operations. The Educational Service Center's fiduciary fund is an agency fund which accounts for resources held for employee flexible spending plans. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

**C. Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects 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 fund financial statements for governmental funds.

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

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***D. Basis of Accounting***

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

***Revenues – Exchange and Non-Exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined, and “available” means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty 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. On an accrual basis, 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: interest, tuition, grants, fees, and customer services.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

***E. Cash and Cash Equivalents***

To improve cash management, 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".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the six month fiscal period ended December 31, 2011 amounted to \$514.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented as cash and cash equivalents.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***F. Capital Assets***

All of the Educational Service Center's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the 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 five hundred dollars. 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.

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

Description	Estimated Lives
Buildings and Improvements	20-25 years
Furniture, Fixtures, and Equipment	5-15 years
Vehicles	5 years

***G. Interfund Activity***

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

***H. 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. 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 employees after ten years of service.

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

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

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 2 - Summary of Significant Accounting Policies** *(Continued)*

***I. 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, claims and judgments 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. Capital leases are recognized as a liability on the governmental fund financial statements when due.

***J. Interfund Balances***

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received are classified as “Due to/from Other Funds”. Also, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

***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:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the 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.

***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.

***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 Educational Service Center Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***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 policies of the Educational Service Center Board.

***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.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 2 - Summary of Significant Accounting Policies** *(Continued)*

**L. 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 include activities for federal and state grants restricted for specific purposes.

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

As of December 31, 2011, the Educational Service Center had \$22,296 in restricted net assets, none of which is restricted by enabling legislation.

**M. Estimates**

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

**N. Budgetary Process**

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

In fiscal year 2004, the Educational Service Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service Center was discretionary, the Educational Service Center continued to have its Board approve appropriations and estimated revenues. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board.

**O. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Educational Service Center, these revenues are charges for services for medical, life, and dental benefits provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 3 - Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and



**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 3 - Deposits and Investments (Continued)**

11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer, or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

As of December 31, 2011, the Educational Service Center's bank balance of \$764,819 is either covered by FDIC insurance or collateralized by the financial institutions' public entity pools in the manner described above.

**Investments** At December 31, 2011, the Educational Service Center had no investments.

**Note 4 – State Funding**

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from State resources.

Part (B) of the budget is provided by the local, city and exempted village school districts to which the Educational Service Center provides services and by the State Department of Education. Each local school district's portion is determined by multiplying the average daily membership of the local school district (the total number of students enrolled) by \$10.75. Each city school district's portion is determined by multiplying the average daily membership of the city school district (the total number of students enrolled) by \$6.50. Each exempted village school district's portion is determined by multiplying the average daily membership of the exempted village school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that local school district's resources provided under the State's School Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the local school districts served by the Educational Service Center by \$33.44. This amount is provided from State resources.

If additional funding is needed by the Educational Service Center, and if a majority of the Boards of Education of the local, city and exempted village school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the local, city and exempted village school districts served by the Educational Service Center through additional reductions in their resources provided through the School Foundation Program. The State Board of Education initiates and supervises the procedure under which the local, city and exempted village school districts approve or disapprove the additional apportionment.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

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**Note 5 - Receivables**

Receivables at December 31, 2011, consisted of accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

Major Fund:	
Miscellaneous Federal Grants Fund	\$ 34,616
Non-Major Special Revenue Funds:	
ABLE Fund	246
Total All Funds	\$ 34,862

**Note 6 - 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 the six month fiscal period ended December 31, 2011, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district and 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 14)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$ 2,000,000
Aggregate Limit	4,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Personal and Advertising injury Limit - Each Offense	2,000,000
Fire Damage Limit - Any One Event	500,000
Auto:	
Each Occurrence	1,000,000
Employer's Liability:	
Each Occurrence	2,000,000
Disease - Each Employee	2,000,000
Disease - Policy Limit	2,000,000
Employee's Benefits Liability:	
Each Occurrence	2,000,000
Aggregate Limit	4,000,000
Property Damage:	
Each Occurrence	660,954

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years or the most recent six month fiscal period ended. There has been no significant reduction in coverage from the prior year.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

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**Note 6 - Risk Management** (Continued)

**B. Workers' Compensation**

For the six month fiscal period ended December 31, 2011, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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 members is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

**C. Employee Dental, Vision, and Healthcare Reimbursement Account Benefits**

Dental, vision, and healthcare reimbursement insurance is offered to employees through a self-insurance internal service fund. The fund is responsible for claims up to a specified amount per individual per year. The Reimbursement Account has an annual maximum aggregate of \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years or the most recent six month fiscal period ended.

The claims liability of \$6,320 reported in the internal service fund at December 31, 2011, is based upon an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years/periods are as follows:

	Balance at Beginning of Year	Current Year/Period Claims	Claims Payments	Balance at End of Year/Period
June 30, 2011	\$ 10,026	\$ 872,726	\$ 872,148	\$ 10,604
December 31, 2011	10,604	564,042	568,326	6,320

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

**Note 7 – Capital Assets**

Capital asset activity for the six month fiscal period ended December 31, 2011, was as follows:

	Balance at June 30, 2011	Additions	Deletions	Balance at December 31, 2011
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$ 193,898	\$ -	\$ -	\$ 193,898
Total Capital Assets not being Depreciated	<u>193,898</u>	<u>-</u>	<u>-</u>	<u>193,898</u>
Depreciable Capital Assets:				
Buildings and Improvements	234,710	-	-	234,710
Furniture, Fixtures, and Equipment	644,877	43,866	-	688,743
Vehicles	16,706	-	-	16,706
Total Depreciable Capital Assets	<u>896,293</u>	<u>43,866</u>	<u>-</u>	<u>940,159</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(59,772)	(5,325)	-	(65,097)
Furniture, Fixtures, and Equipment	(540,116)	(20,185)	-	(560,301)
Vehicles	(16,706)	-	-	(16,706)
Total Accumulated Depreciation	<u>(616,594)</u>	<u>(25,510)</u>	<u>-</u>	<u>(642,104)</u>
Total Capital Assets being Depreciated, Net	<u>279,699</u>	<u>18,356</u>	<u>-</u>	<u>298,055</u>
Capital Assets, Net	<u>\$ 473,597</u>	<u>\$ 18,356</u>	<u>\$ -</u>	<u>\$ 491,953</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 2,264
Special	269
Adult/Continuing	69
Other	5,355
Support Services:	
Pupils	1,654
Instructional Staff	386
Administration	6,037
Operation and Maintenance of Plant	8,811
Central	<u>665</u>
Total Depreciation Expense	<u>\$ 25,510</u>

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 8 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The Educational Service Center contributes to 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org), under *Employers/Audit Resources*.

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, up to a statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the period July 1, 2011 through December 31, 2011, the allocation to pension and death benefits is 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Educational Service Center's contributions to SERS for pension obligations and death benefits for the six months fiscal period ended December 31, 2011, and the fiscal years ended June 30, 2011, and 2010 were \$52,311, \$203,943 and \$202,408, respectively, which were equal to the required contributions for each period/year.

***B. State Teachers Retirement System***

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

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

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

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

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 8 - Defined Benefit Pension Plans** *(Continued)*

**B. State Teachers Retirement System** *(Continued)*

**DC Plan Benefits** – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

For the fiscal period/years ended December 31, 2011, June 30, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. 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 for pension obligations to STRS Ohio for the fiscal period/years ended December 31, 2011, June 30, 2011, and 2010 were \$156,149, \$307,603, and \$288,459, respectively, which were equal to the required contribution for each period/year.

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

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 8 - Defined Benefit Pension Plans (Continued)**

***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 have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of December 31, 2011, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Note 9 - Postemployment Benefits**

***A. State Teachers Retirement System***

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the period/years ended December 31, 2011 and June 30, 2011, and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Educational Service Center, these amounts equaled \$11,615, \$23,919, and \$22,570 for fiscal period/years ended December 31, 2011, June 30, 2011, and 2010, respectively, which were equal to the required allocations for each period/year.

***B. School Employees Retirement System***

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal period/years ending December 31, 2011, June 30, 2011 and June 30, 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the Educational Service Center, contributions for the fiscal period/years ended December 31, 2011, and June 30, 2011, and June 30, 2010 were \$6,150, \$13,035, and \$10,816, which were equal to the required contributions for each period/year.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 9 - Postemployment Benefits (Continued)**

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At December 31, 2011, June 30, 2011, and June 30, 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Educational Service Center, the amounts assigned to health care, including the surcharge, during the fiscal period/years ended December 31, 2011, and June 30, 2011 and June 30, 2010 equaled \$26,002, \$46,018, and \$34,969, respectively, which equaled the required allocation for each period/year.

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

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

**Note 10- Employee Benefits**

***A. Insurance Benefits***

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to classified and administrative employees.

Health insurance is provided by Medical Mutual of Ohio. Monthly premiums for this coverage are \$1,573 for family coverage and \$568 for single coverage. The Educational Service Center pays 90% of both family and single coverage premiums.



**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

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**Note 10- Employee Benefits** *(Continued)*

**B. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time (limited to amounts earned and unused from the previous two years plus current year earned and unused amounts) is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Earned vacation may be carried over to the next year, to a maximum allowed by the Ohio Revised Code upon the approval of the Superintendent.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave accumulation shall be cumulative up to 260 days. Upon retirement, payment is made to employees at 25 percent up to a maximum of 50 days.

**Note 11 – Capital Leases – Lessee Disclosure**

During a previous fiscal year, the Educational Service Center traded in existing capitalized lease copiers for new copiers. Each lease meets the criteria of a capital lease as defined by the 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 are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

Future minimum lease payments as of December 31, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012 (six months ended June 30, 2012)	\$ 8,311
2013	<u>14,416</u>
Total	22,727
Less: Amount Representing Interest	<u>(1,308)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 21,419</u></u>

The copiers were capitalized in the amount of \$65,934. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in the six month fiscal period ended December 31, 2011 were \$7,000 in the governmental funds.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

**Note 12 - Long-Term Obligations**

Changes in long-term obligations of the Educational Service Center during the six month fiscal period ended December 31, 2011 were as follows:

	Principal Outstanding 06/30/11	Additions	Deductions	Principal Outstanding 12/31/11	Amounts Due in One Year
<b>Governmental Activities:</b>					
Capital Leases	\$ 28,419	\$ -	\$ 7,000	\$ 21,419	\$ 14,866
Compensated Absences	150,344	429,327	439,662	140,009	7,977
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 178,763</u>	<u>\$ 429,327</u>	<u>\$ 446,662</u>	<u>\$ 161,428</u>	<u>\$ 22,843</u>

Capital leases will be paid from the General Fund. Sick leave benefits will be paid from the fund from which the employees' salaries are paid, with the most significant being the General Fund.

**Note 13 - Jointly Governed Organizations**

**A. Southeast Ohio Voluntary Educational Consortium**

The Southeast Ohio Voluntary Educational Consortium (SEOVEC) is a jointly governed organization created as a regional council of governments pursuant to State statutes. SEOVEC provides financial accounting services, educational management information, and cooperative purchasing services to its members. Each member pays a fee annually for services provided by SEOVEC.

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. The continued existence of SEOVEC is not dependent on the Educational Service Center's continued participation and no equity interest exists. SEOVEC has 28 participants consisting of 25 school districts and 3 educational service centers. During the six month fiscal period ended December 31, 2011, the Educational Service Center paid \$6,915 to SEOVEC. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Jimmy Battrell, CEO/Director, 221 North Columbus Road, Athens, Ohio 45701.

**B. Tri-County Career Center**

The Tri-County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City, County, and Educational Service Center Boards within Athens, Hocking, and Perry Counties. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Tri-County Career Center, Laura Dukes, Treasurer, 15676 State Route 691, Nelsonville, Ohio, 45764.

**C. Mid-East Career and Technology Centers**

The Mid-East Career and Technology Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of thirteen representatives from the various City, County, and Educational Service Center Boards within Perry, Guernsey, and Muskingum Counties. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Mid-East Career and Technology Centers, Richard White, Treasurer/CFO, 400 Richards Road, Zanesville, Ohio, 43701.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 13 - Jointly Governed Organizations (Continued)**

***D. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools consists of over one hundred school districts and educational service centers in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts and educational service centers within that County. The Coalition provides various services for school district and educational service center administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for member personnel. The Coalition is not dependent upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or a financial responsibility for the Coalition. The Educational Service Center paid the Coalition of Rural and Appalachian Schools \$345 for services provided during the period.

**Note 14 - Insurance Purchasing Pools**

***A. Ohio School Boards Association Workers' Compensation Group Rating Program***

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

***B. Ohio School Plan***

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is 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 purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of member superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**Note 15 - Contingencies**

***A. Grants***

The Educational Service Center receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 December 31, 2011.

***B. Litigation***

There are currently no matters in litigation with the Educational Service Center as a defendant.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

**Note 16 – Interfund Transactions**

**A. Interfund Advances**

Interfund balances at December 31, 2011, which are expected to be repaid within a one year period, are as follows:

Major Funds:	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 24,903	\$ -
Miscellaneous Federal Grant Fund	-	21,158
Nonmajor Funds:		
Handicapped Preschool	-	930
ABLE	-	2,815
Total Nonmajor Funds	<u>-</u>	<u>3,745</u>
Total All Funds	<u>\$ 24,903</u>	<u>\$ 24,903</u>

The General Fund made advances to other funds of the Educational Service Center in anticipation of grant monies to be received by that fund.

**B. Interfund Transfers**

Interfund transfers for the period July 1, 2011 through December 31, 2011, consisted of the following, as reported on the fund financial statements:

Major Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 40,862	\$ -
Miscellaneous Federal Grant Fund	-	1,600
Nonmajor Funds:		
Special Trusts	-	21,063
Student Projects	-	3,496
Local Grants	-	6,757
Miscellaneous State Grants	-	7,273
Drug Free Schools	-	673
Total Nonmajor Funds	<u>-</u>	<u>39,262</u>
Total All Funds	<u>\$ 40,862</u>	<u>\$ 40,862</u>

Transfers are used to move revenues from the fund that the statute of budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The purpose of the transfers to the General Fund was for residual equity transfers to close out various special trusts and grant funds.

All transfers made during the period July 1, 2011 through December 31, 2011 were in accordance with Ohio Revised code Sections 5705.14, 5705.15 and 5705.16.

**Perry-Hocking Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Period July 1, 2011 through December 31, 2011

**Note 17 – Fund Balances**

Fund balance is classified as nonspendable, 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 government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Miscellaneous Federal Grants	All Other Governmental	Total Governmental Funds
<b>Restricted for</b>				
Permanent Improvement	\$0	\$0	\$4,478	\$4,478
Special Trust	0	0	6,472	6,472
Network Connectivity	0	0	1,801	1,801
Total Restricted	<u>0</u>	<u>0</u>	<u>12,751</u>	<u>12,751</u>
<b>Unassigned (Deficit)</b>	<u>(41,725)</u>	<u>(26,112)</u>	<u>(21,400)</u>	<u>(89,237)</u>
Total Fund Balances	<u>(\$41,725)</u>	<u>(\$26,112)</u>	<u>(\$8,649)</u>	<u>(\$76,486)</u>

**Note 18 – Accountability**

The following funds had a deficit in their fund balance as of December 31, 2011:

	Amount
<i>Major Funds:</i>	
General	\$ 41,725
Miscellaneous Federal Grants	26,112
<i>Subtotal Major Funds</i>	<u>67,837</u>
<i>Nonmajor Special Revenue Funds:</i>	
Public Preschool	\$11,746
Handicapped Preschool	2,532
Alternative Schools	2,837
ABLE	4,285
<i>Subtotal Nonmajor Special Revenue Funds</i>	<u>21,400</u>
<i>Grand Total</i>	<u>\$89,237</u>

The deficits in these funds are the result of the application of accounting principles generally accepted in the United States of America and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

**Note 19 – Change in Organization of Perry-Hocking Educational Service Center**

On August 18, 2011, the Educational Service Center adopted a resolution approving the combining of the Muskingum Valley Educational Service Center and the Perry-Hocking Educational Service Center into one Educational Service Center. The combined Educational Service Center will be called Muskingum Valley Educational Service Center and will become effective January 1, 2012, at which time all assets and liabilities of the Perry-Hocking Educational Service Center will be transferred to the Muskingum Valley Educational Service Center.

## **SUPPLEMENTARY INFORMATION**

**Perry-Hocking Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Budget Basis) and Actual*  
*General Fund*  
*For the Period July 1, 2011 through December 31, 2011*

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 86,822	\$ 474,184	\$ 238,437	\$ (235,747)
Interest	186	1,015	511	(504)
Tuition and Fees	644,024	3,517,380	689,744	(2,827,636)
Contract Services	98,682	538,956	1,301,789	762,833
Miscellaneous	31,416	171,584	86,278	(85,306)
<b>Total Revenues</b>	<b>861,130</b>	<b>4,703,119</b>	<b>2,316,759</b>	<b>(2,386,360)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	146,603	604,367	307,382	296,985
Special	150,694	621,232	315,959	305,273
Other	4,757	19,609	9,973	9,636
<b>Support Services:</b>				
Pupils	297,188	1,225,147	623,112	602,035
Instructional Staff	353,778	1,458,439	741,764	716,675
Board of Education	18,536	76,416	38,865	37,551
Administration	88,085	363,129	184,688	178,441
Fiscal	52,440	216,184	109,951	106,233
Operation and Maintenance of Plant	42,621	175,703	89,363	86,340
Pupil Transportation	307	1,267	644	623
Central	11,031	45,476	23,129	22,347
Operation of Non-Instructional Services	7,222	29,764	15,156	14,608
<b>Total Expenditures</b>	<b>1,173,262</b>	<b>4,836,733</b>	<b>2,459,986</b>	<b>2,376,747</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(312,132)</b>	<b>(133,614)</b>	<b>(143,227)</b>	<b>(9,613)</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In	-	-	40,862	40,862
Advances In	-	-	7,275	7,275
<b>Total Other Financing Sources and Uses</b>	<b>-</b>	<b>-</b>	<b>48,137</b>	<b>48,137</b>
<b>Net Change in Fund Balance</b>	<b>(312,132)</b>	<b>(133,614)</b>	<b>(95,090)</b>	<b>38,524</b>
Fund Balance at Beginning of Year	333,009	333,009	333,009	-
Prior Year Encumbrances Appropriated	16,738	16,738	16,738	-
<b>Fund Balance at End of Year</b>	<b>\$ 37,615</b>	<b>\$ 216,133</b>	<b>\$ 254,657</b>	<b>\$ 38,524</b>

See accompanying notes to the supplementary information.

**Perry-Hocking Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Budget Basis) and Actual*  
*Miscellaneous Federal Grant Fund*  
*For the Period July 1, 2011 through December 31, 2011*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 944,815	\$ 1,149,406	\$ 465,884	\$ (683,522)
Total Revenues	944,815	1,149,406	465,884	(683,522)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,968	8,677	3,980	4,697
Other	53,012	233,717	107,205	126,512
Support Services:				
Pupils	71,109	313,502	143,802	169,700
Instructional Staff	58,509	257,951	118,321	139,630
Administration	44,824	197,617	90,646	106,971
Fiscal	12,280	54,140	24,834	29,306
Pupil Transportation	5,367	23,663	10,854	12,809
Central	14,313	63,101	28,944	34,157
Operation of Non-Instructional Services	13,636	60,113	27,583	32,530
Total Expenditures	275,018	1,212,481	556,169	656,312
Other Financing Uses:				
Transfers Out	(1,600)	(1,600)	(1,600)	-
Total Other Financing	(1,600)	(1,600)	(1,600)	-
Net Change in Fund Balance	668,197	(64,675)	(91,885)	(27,210)
Fund Balance at Beginning of Year	(180,872)	(180,872)	(180,872)	-
Prior Year Encumbrances Appropriated	251,599	251,599	251,599	-
Fund Balance at End of Year	<u>\$ 738,924</u>	<u>\$ 6,052</u>	<u>\$ (21,158)</u>	<u>\$ (27,210)</u>

See accompanying notes to the supplementary information.



**Perry-Hocking Educational Service Center**  
*Notes to the Supplementary Information*  
*For the Period July 1, 2011 through December 31, 2011*

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**Note 1 – Budgetary Process**

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

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 schedules reflect the amounts of estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Board.

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

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

**Note 2 – Budgetary Basis of Accounting**

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Budget Basis) and Actual - for the General Fund and the Miscellaneous Federal Grants Special Revenue Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment, or assignment of fund balance (GAAP basis).
4. Certain funds which are included as part of the General Fund on a GAAP basis are excluded on a budget basis.

**Perry-Hocking Educational Service Center**  
*Notes to the Supplementary Information*  
For the Period July 1, 2011 through December 31, 2011

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

The following table summarizes the adjustments necessary to reconcile the GAAP financial statements and the budgetary basis schedules for the General Fund and the Miscellaneous Federal Grants Special Revenue Fund.

	Net Changes in Fund Balances	
	General	Miscellaneous Federal Grants
GAAP Basis	\$ (201,881)	\$ (50,619)
Adjustments:		
Revenue Accruals	378,644	39,004
Expenditure Accruals	(320,289)	(80,270)
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	48,436	-
Budget Basis	\$ (95,090)	\$ (91,885)

## **SUPPLEMENTARY DATA**

**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE PERIOD JULY 1, 2011 THROUGH DECEMBER 31, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(F), (H) Adult Education - Basic Grants to States	84.002	2011	\$ 6,921	\$ 4,982
(H) Adult Education - Basic Grants to States	84.002	2012	20,506	23,321
<b>Total Adult Education - Basic Grants to States</b>			<u>27,427</u>	<u>28,303</u>
<b>Special Education Grant Cluster:</b>				
(C) Special Education_Preschool Grants	84.173	2011	8,990	9,360
(C) Special Education_Preschool Grants	84.173	2012	2,313	3,243
<b>Total Special Education_Preschool Grants</b>			<u>11,303</u>	<u>12,603</u>
(C), (G) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011	10,159	9,123
<b>Total Special Education Grant Cluster</b>			<u>21,462</u>	<u>21,726</u>
(D) Fund for the Improvement of Education	84.215	N/A	142,913	142,913
(D) Fund for the Improvement of Education	84.215	N/A	79,762	79,762
<b>Total Fund for the Improvement of Education</b>			<u>222,675</u>	<u>222,675</u>
(E), (H) Twenty-First Century Community Learning Centers	84.287	2011	64,700	133,836
(H) Twenty-First Century Community Learning Centers	84.287	2012	178,508	199,642
<b>Total Twenty-First Century Community Learning Centers</b>			<u>243,208</u>	<u>333,478</u>
<b>Total U.S. Department of Education and Federal Financial Assistance</b>			<u>\$ 514,772</u>	<u>\$ 606,182</u>

(A) OAKS did not assign pass-through numbers for fiscal years 2011 and 2012.

(B) This schedule was prepared on the cash basis of accounting.

(C) Included as part of "Special Education Grant Cluster" in determining major programs.

(D) Grant was received directly from the U.S. Department of Education.

(E) \$4,460 was repaid to the Ohio Department of Education based on the expiration of period of availability.

(F) \$1,939 was repaid to the Ohio Department of Education based on the expiration of period of availability.

(G) \$1,311 was repaid to the Ohio Department of Education based on the expiration of period of availability.

(H) The Educational Service Center generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, the Educational Service Center can transfer unspent Federal assistance to the succeeding year, thus allowing the Educational Service Center a total of 27 months to spend the assistance. The Educational Service Center can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During period July 1, 2011 through December 31, 2011, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Adult Education - Basic Grants to States	84.002	2011	\$ 231	
Adult Education - Basic Grants to States	84.002	2012		\$ 231
Twenty-First Century Community Learning Centers	84.287	2011	8,919	
Twenty-First Century Community Learning Centers	84.287	2012		8,919



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Perry-Hocking Educational Service Center  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry-Hocking Educational Service Center, Perry County, Ohio, as of and for the period July 1, 2011 through December 31, 2011, which collectively comprise the Perry-Hocking Educational Service Center's basic financial statements and have issued our report thereon dated August 10, 2012, wherein we noted the Perry-Hocking Educational Service Center merged with the Muskingum Valley Educational Service Center as of January 1, 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 Perry-Hocking Educational Service Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Perry-Hocking Educational Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Perry-Hocking Educational Service Center's internal control over financial reporting.

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

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

Board of Directors  
Perry-Hocking Educational Service Center

Compliance and Other Matters

As part of reasonably assuring whether the Perry-Hocking Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
August 10, 2012



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Its  
Major Federal Program and on Internal Control Over Compliance  
Required by OMB Circular A-133**

Perry-Hocking Educational Service Center  
1605 Airport Road  
New Lexington, Ohio 43764

To the Board of Directors:

Compliance

We have audited the compliance of the Perry-Hocking Educational Service Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Perry-Hocking Educational Service Center's major federal program for the period July 1, 2011 through December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Perry-Hocking Educational Service Center's major federal program. The Perry-Hocking Educational Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Perry-Hocking Educational Service Center's compliance based on our audit.

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

In our opinion, the Perry-Hocking Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the period July 1, 2011 through December 31, 2011.

Internal Control Over Compliance

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

Board of Directors  
Perry-Hocking Educational Service Center

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
August 10, 2012



**PERRY-HOCKING EDUCATIONAL SERVICE CENTER  
PERRY COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE PERIOD JULY 1, 2011 THROUGH DECEMBER 31, 2011**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

PERRY HOCKING EDUCATIONAL SERVICE CENTER

PERRY COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 18, 2012