



Dave Yost • Auditor of State

**GREENE COUNTY EDUCATIONAL SERVICE CENTER
GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greene County Educational Service Center, Greene County, (the Center), as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Greene County Educational Service Center, Greene County, as of June 30, 2011, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011, the Center adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Additionally, the Center reclassified two funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2011, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 Center's basic financial statements taken as a whole. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund and Miscellaneous Federal Grants Fund provide additional analysis and are not required part of the basic financial statements. These schedules 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.



Dave Yost
Auditor of State

August 18, 2011

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of the Greene County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 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 basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- The Educational Service Center was awarded new pass-through grants in fiscal year 2011 that included a Substance Abuse and Mental Health Services Grant and an Integration of Schools and Mental Health Systems Grant.
- Employees of the Educational Service Center received a base pay increase of three percent in fiscal year 2011.
- A mental health program service by the Educational Service Center went from three days a week to five days a week in fiscal year 2011.

Using the Basic Financial Statements

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

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

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the Educational Service Center as a Whole

Statement of Net Assets and the Statement of Activities

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

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

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

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The Educational Service Center as a Whole

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

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2011 compared to fiscal year 2010.

	2011	2010 Restated	Change
Assets:			
Current and Other Assets	\$3,993,446	\$3,534,544	\$458,902
Capital Assets, Net	669,943	689,494	(19,551)
Total Assets	4,663,389	4,224,038	439,351
Liabilities:			
Other Liabilities	1,895,191	1,737,192	157,999
Long-Term Liabilities	953,149	921,939	31,210
Total Liabilities	2,848,340	2,659,131	189,209
Net Assets:			
Invested in Capital Assets,			
Net of Related Debt	602,888	563,697	39,191
Restricted	325,789	72,801	252,988
Unrestricted	886,372	928,409	(42,037)
Total Net Assets	\$1,815,049	\$1,564,907	\$250,142

Current and other assets increased \$458,902 due mainly to the increase in intergovernmental receivable from new pass-through grants awarded that included a Substance Abuse and Mental Health Services Grant and an Integration of Schools and Mental Health Systems Grant

Other liabilities increased \$157,999 mainly due to increases in refunds payable to local school districts for contracted work by the Educational Service Center.

The large increase in restricted net assets of \$252,988 was from the new pass-through grants awarded.

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2011 and 2010.

Table 2
Changes in Net Assets

	2011	Restated 2010	Change
Revenues:			
Program Revenues:			
Charges for Services	\$10,894,394	\$10,806,664	\$87,730
Operating Grants and Contributions	1,542,538	1,081,867	460,671
Total Program Revenues	<u>12,436,932</u>	<u>11,888,531</u>	<u>548,401</u>
General Revenues:			
Grants and Entitlements	1,428,781	1,359,079	69,702
Interest	190	12,121	(11,931)
Miscellaneous	179,579	284,429	(104,850)
Total General Revenues	<u>1,608,550</u>	<u>1,655,629</u>	<u>(47,079)</u>
Total Revenues	<u>14,045,482</u>	<u>13,544,160</u>	<u>501,322</u>
Program Expenses:			
Instruction:			
Regular	761,679	586,565	175,114
Special	3,409,241	3,208,508	200,733
Support Services:			
Pupils	6,326,836	6,649,367	(322,531)
Instructional Staff	2,220,793	2,134,628	86,165
Board of Education	25,634	26,024	(390)
Administration	285,618	310,717	(25,099)
Fiscal	267,643	263,951	3,692
Business	47,161	47,665	(504)
Operation and Maintenance of Plant	201,274	195,783	5,491
Central	13,445	4,956	8,489
Operation of Non-Instructional Services	4,155	7,350	(3,195)
Intergovernmental	226,876	62,605	164,271
Interest and Fiscal Charges	4,985	7,861	(2,876)
Total Expenses	<u>13,795,340</u>	<u>13,505,980</u>	<u>\$289,360</u>
Increase in Net Assets	250,142	38,180	
Net Assets at Beginning of Year	<u>1,564,907</u>	<u>1,526,727</u>	
Net Assets at End of Year	<u>\$1,815,049</u>	<u>\$1,564,907</u>	

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Governmental Activities

In total, revenues increased \$501,322 due to increases in operating grants and contributions. The Educational Service Center was awarded new pass-through grants in fiscal year 2011. Miscellaneous revenues decreased \$104,850.

Overall, expenses increased \$289,360, due mainly to a base increase for employees. Also, the increase to expense was from a change of a mental health program from three days to five days. The large fluctuations between expenses are due to the Educational Service Center changing the way expenses within programs are classified.

The Educational Service Center's Funds

Information about the Educational Service Center's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,779,904 and expenditures of \$13,744,579. The net change in fund balance for the fiscal year in the General Fund was \$40,264. The Educational Service Center covers its costs by combining State revenue with the revenue it realizes from the local school districts in the county. The intent is to realize a marginal profit. The districts are charged an estimated "cost of services" each month. At fiscal year-end, a reconciliation is performed to determine what a district may still owe or what a district may be owed. Typically, after the estimated amount is established, additional services may be requested. Usually, the revenue to cover these additional expenses is not received until after the reconciliation is performed. On occasion, this revenue is not received until well into the following fiscal year.

The Educational Service Center also has programs that are paid for with tuition charged to the districts using these programs. Expenses are realized in the fiscal year, but tuition invoices at the end of the fiscal year are typically not paid in a timely manner. The increase in the General Fund balance is due to the redistribution of staff to new grant funds.

Capital Assets

Table 3 shows fiscal year 2011 balances compared to fiscal year 2010.

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

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

	<u>2011</u>	<u>2010</u>
Land	\$161,360	\$161,360
Land Improvements	16,806	17,973
Building and Improvements	390,540	401,695
Furniture and Equipment	101,237	108,466
Totals	<u>\$669,943</u>	<u>\$689,494</u>

Overall capital assets, net of depreciation, decreased \$19,551 from fiscal year 2010. For more information on capital assets, refer to Note 8 of the basic financial statements.

Debt Administration

At June 30, 2011, the Educational Service Center had \$67,055 in total outstanding debt for capital leases. Refer to Notes 13 and 14 of the basic financial statements for additional information.

Current Financial Issues and Concerns

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

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

The Educational Service Center's Alternative Education programs are, for the most part, elective programs. If financial constraints on the districts become large enough, and they choose not to enroll children in the programs, the programs will fail to support themselves. If this were to happen, the Educational Service Center would terminate these elective programs. The Alternative Education programs account for about \$765,000 of the Educational Service Center's annual costs and revenues.

Greene County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Contacting the Educational Service Center's Financial Management

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

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Greene County Educational Service Center

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$3,485,941
Intergovernmental Receivable	501,321
Prepaid Items	6,184
Nondepreciable Capital Assets	161,360
Depreciable Capital Assets, Net	508,583
Total Assets	<u>4,663,389</u>
Liabilities:	
Accounts Payable	4,030
Accrued Wages and Benefits Payable	1,291,284
Intergovernmental Payable	574,595
Matured Compensated Absences Payable	25,282
Long-Term Liabilities:	
Due Within One Year	151,224
Due in More Than One Year	801,925
Total Liabilities	<u>2,848,340</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	602,888
Restricted for Miscellaneous Federal Grants	271,920
Restricted for Other Purposes	53,869
Unrestricted	886,372
Total Net Assets	<u><u>\$1,815,049</u></u>

See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$761,679	\$1,296,332	\$55,238	\$589,891
Special	3,409,241	2,737,421	921,679	249,859
Support Services:				
Pupils	6,326,836	5,069,378	56,483	(1,200,975)
Instructional Staff	2,220,793	1,791,263	0	(429,530)
Board of Education	25,634	0	0	(25,634)
Administration	285,618	0	0	(285,618)
Fiscal	267,643	0	0	(267,643)
Business	47,161	0	0	(47,161)
Operation and Maintenance of Plant	201,274	0	0	(201,274)
Central	13,445	0	12,846	(599)
Operation of Non-Instructional Services	4,155	0	3,000	(1,155)
Intergovernmental	226,876	0	493,292	266,416
Interest and Fiscal Charges	4,985	0	0	(4,985)
Total Governmental Activities	\$13,795,340	\$10,894,394	\$1,542,538	(1,358,408)

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	1,428,781
Interest	190
Miscellaneous	179,579
Total General Revenues	1,608,550
 Change in Net Assets	 250,142
 Net Assets at Beginning of Year - Restated (See Note 3)	 1,564,907
Net Assets at End of Year	\$1,815,049

See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center

Balance Sheet
Governmental Funds
June 30, 2011

	General	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$3,412,983	\$0	\$72,958	\$3,485,941
Intergovernmental Receivable	218,552	282,281	488	501,321
Prepaid Items	6,184	0	0	6,184
Total Assets	<u>\$3,637,719</u>	<u>\$282,281</u>	<u>\$73,446</u>	<u>\$3,993,446</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	\$2,830	\$0	\$1,200	\$4,030
Accrued Wages and Benefits Payable	1,272,142	8,072	11,070	1,291,284
Intergovernmental Payable	567,508	2,289	4,798	574,595
Matured Compensated Absences Payable	25,282	0	0	25,282
Deferred Revenue	5,000	266,705	0	271,705
Total Liabilities	<u>1,872,762</u>	<u>277,066</u>	<u>17,068</u>	<u>2,166,896</u>
Fund Balances:				
Nonspendable	6,184	0	0	6,184
Restricted	0	5,215	59,034	64,249
Committed	10,750	0	0	10,750
Assigned	47,354	0	0	47,354
Unassigned (Deficit)	1,700,669	0	(2,656)	1,698,013
Total Fund Balances	<u>1,764,957</u>	<u>5,215</u>	<u>56,378</u>	<u>1,826,550</u>
Total Liabilities and Fund Balances	<u>\$3,637,719</u>	<u>\$282,281</u>	<u>\$73,446</u>	<u>\$3,993,446</u>

See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011

Total Governmental Fund Balances	\$1,826,550
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Land	161,360	
Land Improvements	25,344	
Building and Improvements	589,290	
Furniture and Equipment	275,474	
Accumulated Depreciation	(381,525)	
		669,943

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

Intergovernmental		271,705
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Capital Lease Payable	(67,055)	
Compensated Absences	(886,094)	
		(953,149)

Net Assets of Governmental Activities	\$1,815,049
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See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
Revenues:				
Intergovernmental	\$2,342,906	\$172,028	\$190,543	\$2,705,477
Interest	454	0	0	454
Tuition and Fees	10,894,394	0	0	10,894,394
Miscellaneous	171,779	0	7,800	179,579
Total Revenues	<u>13,409,533</u>	<u>172,028</u>	<u>198,343</u>	<u>13,779,904</u>
Expenditures:				
Current:				
Instruction:				
Regular	699,943	0	55,310	755,253
Special	3,398,811	0	8,945	3,407,756
Support Services:				
Pupils	6,155,558	0	66,879	6,222,437
Instructional Staff	2,210,083	0		2,210,083
Board of Education	25,634	0	0	25,634
Administration	286,476	0	0	286,476
Fiscal	272,987	0	0	272,987
Business	46,508	0	0	46,508
Operation and Maintenance of Plant	197,025	0	0	197,025
Central	0	0	13,145	13,145
Operation of Non-Instructional Services	0	0	4,155	4,155
Capital Outlay	12,517	0	0	12,517
Intergovernmental	0	168,871	58,005	226,876
Debt Service:				
Principal Retirement	58,742	0	0	58,742
Interest and Fiscal Charges	4,985	0	0	4,985
Total Expenditures	<u>13,369,269</u>	<u>168,871</u>	<u>206,439</u>	<u>13,744,579</u>
Net Change in Fund Balances	40,264	3,157	(8,096)	35,325
Fund Balances at Beginning of Year - Restated (See Note 3)	1,724,693	2,058	64,474	1,791,225
Fund Balances at End of Year	<u>\$1,764,957</u>	<u>\$5,215</u>	<u>\$56,378</u>	<u>\$1,826,550</u>

See Accompanying Notes to the Basic Financial Statements

Greene County 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 Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$35,325

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Capital Outlay	21,475	
Depreciation Expense	<u>(41,026)</u>	
Excess of Capital Outlay Under Depreciation Expense		(19,551)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These amounts consist of:

Capital Lease Payments		58,742
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Some revenues that will not be collected for several months after the Educational Service Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Deferred revenues changed by these amounts:

Intergovernmental Revenue	265,842	
Interest	<u>(264)</u>	
		265,578

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in Compensated Absences		<u>(89,952)</u>
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Change in Net Assets of Governmental Activities \$250,142

See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$6,533	<u>\$3,321</u>
Liabilities:		
Undistributed Monies	<u>0</u>	<u>\$3,321</u>
Net Assets:		
Held in Trust for Scholarships	<u>\$6,533</u>	

See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions:	
Miscellaneous	\$3,271
Deductions:	
Payments in Accordance with Trust Agreements	5,475
Change in Net Assets	(2,204)
Net Assets at Beginning of Year	8,737
Net Assets at End of Year	\$6,533

See Accompanying Notes to the Basic Financial Statements

Greene County Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

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

The Greene County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board members must be a resident of either Cedar Cliff, Greenview, or Bellbrook-Sugarcreek Local School Districts. The Educational Service Center has 190 employees, which includes 44 teachers, 45 special education therapists, 40 educational aides, 25 mental health therapists, 23 administrative employees, and 13 administrative support staff that provide services to the local, exempted village, and city school districts.

Reporting Entity:

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

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

The Educational Service Center participates in three jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 15 to the basic financial statements. These organizations are:

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY (continued)

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool:

Southwestern Ohio Educational Purchasing Cooperative Benefit Plan
Trust

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements:

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements:

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

B. Fund Accounting

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

Governmental Funds:

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center's only fiduciary funds are private purpose trust fund and an agency fund. The Private Purpose Trust Fund accounts for scholarships program for students and teachers. The ESC's Agency Fund accounts for the Greene County Community Foundation.

C. Measurement Focus

Government-wide Financial Statements:

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

Greene County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Revenue:

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

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

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

Expenses/Expenditures:

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2011, the Educational Service Center's investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Following Ohio Statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$454, which includes \$9 assigned from other Educational Service Center funds.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Accrued Liabilities and Long-term Obligations

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

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

I. Compensated Absences

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

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

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

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Net Assets

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

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

K. Fund Balance

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

Nonspendable

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

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 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.

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned

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

Unassigned

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

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

L. Pass-Through Grants

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

M. Internal Activity

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

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Changes in Accounting Principles

For fiscal year 2011, the Educational Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the Educational Service Center’s financial statements.

B. Restatement of Prior Year’s Fund Balance/Net Assets

During 2010, it was determined that the Franklin B. Walter Scholarship Fund and the Greene County Community Foundation Grant Fund should be reported as a Private Purpose Trust Fund and an Agency Fund, respectively, instead of Special Revenue Funds.

The implementation of GASB Statement No. 54 and the reclassification of two funds had the following effect on fund balances of the major and nonmajor funds and net assets as they were previously reported:

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET ASSETS (continued)

	General	Miscellaneous State Grant	Other Governmental	Total
Fund Balance at June 30, 2010	\$1,714,620	\$2,058	\$86,103	\$1,802,781
Change in Fund Structure	10,073	0	(21,629)	(11,556)
Adjusted Fund Balance at June 30, 2010	\$1,724,693	\$2,058	\$64,474	\$1,791,225
			Governmental Activities	
			\$1,576,463	
			(11,556)	
			\$1,564,907	

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 5 - STATE AND LOCAL SCHOOL DISTRICT FUNDING

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

The Educational Service Center also receives funding from the State Department of Education in the amount of \$33.46 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Education Service Center's local and client school districts an amount equal to \$12.00 times the school district's total student count and remits this amount to the Educational Service Center.

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2011, consisted of intergovernmental amounts in the form of excess costs, tuition, and student fees from other school districts. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities:</u>	<u>Amounts</u>
Excess Costs	\$219,040
Substance Abuse and Mental Health Services Grant	63,653
Integration of Schools and Mental Health Systems Grant	218,628
Total Intergovernmental Receivables	<u>\$501,321</u>

Greene County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(Continued)

NOTE 7 – 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 governmental funds. The constraints placed on fund balance for the major governmental funds and other governmental funds are presented below:

Fund Balances	General	Miscellaneous Federal Grants	Other Governmental Funds	Total
<i>Nonspendable</i>				
Prepaid Items	\$6,184	\$0	\$0	\$6,184
<i>Restricted for</i>				
Preschool and Work Study Grants	0	0	47,503	47,503
Computer Network Connections	0	0	1,283	1,283
Management Information System	0	0	10,248	10,248
Mental Health and Family Civic Grants	0	5,215	0	5,215
<i>Total Restricted</i>	0	5,215	59,034	64,249
<i>Committed to</i>				
Legal and Other Contracts	10,750	0	0	10,750
<i>Assigned to</i>				
Preschool Programs	12,473	0	0	12,473
Other Purposes	34,881	0	0	34,881
<i>Total Assigned</i>	47,354	0	0	47,354
<i>Unassigned (Deficit)</i>	1,700,669	0	(2,656)	1,698,013
<i>Total Fund Balances</i>	\$1,764,957	\$5,215	\$56,378	\$1,826,550

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deductions	Balance 6/30/11
<u>Governmental Activities:</u>				
Capital Assets, not Being Depreciated:				
Land	\$161,360	\$0	\$0	\$161,360
Capital Assets, Being Depreciated:				
Land Improvements	25,344	0	0	25,344
Building and Improvements	575,173	14,117	0	589,290
Furniture and Equipment	268,116	7,358	0	275,474
Total Capital Assets, Being Depreciated	868,633	21,475	0	890,108
Less Accumulated Depreciation:				
Land Improvements	(7,371)	(1,167)	0	(8,538)
Building and Improvements	(173,478)	(25,272)	0	(198,750)
Furniture and Equipment	(159,650)	(14,587)	0	(174,237)
Total Accumulated Depreciation	(340,499)	(41,026) *	0	(381,525)
Capital Assets, Being Depreciated, Net	528,134	(19,551)	0	508,583
Governmental Activities Capital Assets, Net	\$689,494	(\$19,551)	\$0	\$669,943

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$400
Special	12,696
Support Services:	
Pupils	3,000
Instructional Staff	5,002
Administration	5,078
Fiscal	1,479
Operation and Maintenance of Plant	13,071
Central	300
Total Depreciation Expense	<u>\$41,026</u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the Educational Service Center contracted with Ohio Casualty Company for property insurance.

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

During fiscal year 2011, the Educational Service Center, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP (See Note 15). The Educational Service Center contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

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

B. Workers' Compensation

For fiscal year 2011, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

C. Medical Benefits

For fiscal year 2011, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 15). The Educational Service Center pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center’s contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$327,900, \$327,514, and \$228,754, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy – For the fiscal year ended June 30, 2010 (the latest information available), 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$867,263, \$888,940, and \$856,830, respectively; 83.7 percent has been contributed for fiscal year 2011, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009. Information for contributions to the DC and Combined Plans for fiscal year 2011 is not available.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, one member of the Governing Board has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$90,887, \$62,972, and \$153,480, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$21,101, \$19,447, and \$16,446, respectively; 100 percent has been contributed for all three fiscal years.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2010 (the latest information available), STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center’s contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$66,713, \$68,380, and \$65,910, respectively; 83.7 percent has been contributed for fiscal year 2011, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 12 - OTHER EMPLOYEE BENEFITS (continued)

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

B. Insurance Benefits

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

C. Deferred Compensation Plan

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

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2003, the Educational Service Center entered into a lease-purchase agreement for the purchase and renovation of the land and building where the Educational Service Center is housed, instead of continuing to make rental payments. The initial term of the agreement was July 25, 2002, until June 30, 2003, provided that U. S. Bank and/or the Educational Service Center will have the right each year to either renew for an additional one-year renewable term until the end of the lease or pay off the total amount outstanding at that time. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments made during fiscal year 2011 totaled \$58,742 in the General Fund.

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 13 - CAPITALIZED LEASES - LESSEE DISCLOSURE (continued)

The assets acquired through capital leases are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Land	\$161,360	\$0	\$161,360
Building and Improvements	338,640	121,914	216,726
Totals	\$500,000	\$121,914	\$378,086

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

	Year	Amount
	2012	\$63,727
	2013	5,311
Total		69,038
Less: Amount Representing Interest		(1,983)
Present Value of Minimum Lease Payments		\$67,055

NOTE 14 - LONG-TERM OBLIGATIONS

	Amounts Outstanding 6/30/10	Additions	Deductions	Amounts Outstanding 6/30/11	Amounts Due Within One Year
<u>Governmental Activities</u>					
Capital Lease Obligation	\$125,797	\$0	\$58,742	\$67,055	\$61,766
Compensated Absences	796,142	173,558	83,606	886,094	89,458
Total Governmental Activities					
Long-Term Liabilities	\$921,939	\$173,558	\$142,348	\$953,149	\$151,224

Compensated absences will be paid from the General Fund and the Miscellaneous Federal Grants Fund. Capital leases will be paid from the General Fund.

Greene County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2011

(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND PUBLIC ENTITY SHARED RISK POOL

A. Jointly Governed Organizations

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$11,355 for services provided during fiscal year 2011. Financial information can be obtained from Joan Corbitt, who serves as Treasurer, at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2011, the Educational Service Center paid \$300 to the SOEPC for membership fees. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND PUBLIC ENTITY SHARED RISK POOL (continued)

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

In fiscal year 2011, the Educational Service Center made no payments to the Council. Continued existence of the Council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding.

B. Insurance Purchasing Pools

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

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

Greene County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS, INSURANCE PURCHASING POOLS, AND PUBLIC ENTITY SHARED RISK POOL (continued)

C. Public Entity Shared Risk Pool

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

NOTE 16 - CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2011.

B. Litigation

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

Greene County Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$2,251,268	\$2,261,021	\$2,306,262	\$45,241
Interest	2,000	1,860	1,860	0
Tuition and Fees	11,417,399	11,064,793	11,118,508	53,715
Miscellaneous	207,073	167,135	145,532	(21,603)
Total Revenues	<u>13,877,740</u>	<u>13,494,809</u>	<u>13,572,162</u>	<u>77,353</u>
Expenditures:				
Current:				
Instruction:				
Regular	731,170	789,172	730,811	58,361
Special	3,381,476	3,405,493	3,252,160	153,333
Support Services:				
Pupils	6,137,452	6,160,703	6,036,078	124,625
Instructional Staff	2,411,698	2,383,571	2,208,301	175,270
Board of Education	33,711	33,710	25,345	8,365
Administration	350,498	350,501	299,370	51,131
Fiscal	294,614	294,295	284,299	9,996
Business	60,594	61,651	46,375	15,276
Operation and Maintenance of Plant	275,492	275,489	204,256	71,233
Capital Outlay	152,037	152,037	76,244	75,793
Total Expenditures	<u>13,828,742</u>	<u>13,906,622</u>	<u>13,163,239</u>	<u>743,383</u>
Excess of Revenues Over (Under) Expenditures	48,998	(411,813)	408,923	820,736
Other Financing Uses:				
Refund of Prior Year Receipts	(198,258)	(214,261)	(127,345)	86,916
Net Change in Fund Balance	(149,260)	(626,074)	281,578	907,652
Fund Balance at Beginning of Year - Restated	3,027,248	3,027,248	3,027,248	0
Prior Year Encumbrances Appropriated	43,669	43,669	43,669	0
Fund Balance at End of Year	<u>\$2,921,657</u>	<u>\$2,444,843</u>	<u>\$3,352,495</u>	<u>\$907,652</u>

See Accompanying Notes to the Supplemental Information

Greene County Educational Service Center
 Schedule of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Miscellaneous Federal Grants Fund
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$339,390	\$438,734	\$156,452	(\$282,282)
Expenditures:				
Current:				
Support Services:				
Pupils	341,448	440,792	203,901	236,891
Net Change in Fund Balance	(2,058)	(2,058)	(47,449)	(45,391)
Fund Balance at Beginning of Year	2,058	2,058	2,058	0
Fund Balance (Deficit) at End of Year	\$0	\$0	(\$45,391)	(\$45,391)

See Accompanying Notes to the Supplemental Information

Greene County Educational Service Center

Notes to the Supplemental Information

For the Fiscal Year Ended June 30, 2011

NOTE 1 - BUDGETARY PROCESS

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

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

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).

Greene County Educational Service Center
Notes to the Supplemental Information
For the Fiscal Year Ended June 30, 2011
(Continued)

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General and Miscellaneous Federal Grants Funds.

Net Change in Fund Balance

	General	Miscellaneous Federal Grants
GAAP Basis	\$40,264	\$3,157
Revenue Accruals	162,629	(15,576)
Expenditure Accruals	139,173	10,361
Encumbrances	(60,488)	(45,391)
Budget Basis	\$281,578	(\$47,449)



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greene County Educational Service Center, Greene County, (the Center) as of and for the year ended June 30, 2011, which collectively comprise the Center's basic financial statements and have issued our report thereon dated August 18, 2011, wherein we noted that the Center adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted that the Center reclassified two funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated August 18, 2011.

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

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

Dave Yost
Auditor of State

August 18, 2011



Dave Yost • Auditor of State

GREENE COUNTY EDUCATIONAL SERVICE CENTER

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 6, 2011**