



# Balestra, Harr & Scherer, CPAs, Inc.

---

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER  
LAWRENCE COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2011  
Fiscal Year Audited Under GAGAS: 2011





# Dave Yost • Auditor of State

Members of the Governing Board  
Lawrence County Educational Service Center  
111 South Fourth Street  
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Lawrence County Educational Service Center, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

May 2, 2012

**This page intentionally left blank.**

**LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER  
LAWRENCE COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**TABLE OF CONTENTS**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	11
Reconciliation of Total Governmental Fund Balances To Net Assets of Governmental Activities .....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Notes to the Basic Financial Statements.....	15
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Budget Basis) and Actual:	
General Fund .....	32
Other State Grants Fund.....	33
Notes to the Supplementary Information .....	34
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	36

**This page intentionally left blank.**



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Independent Auditor's Report

Members of the Governing Board  
Lawrence County Educational Service Center  
111 South Fourth Street  
Ironton, Ohio 45638

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Educational Service Center, Lawrence 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 Lawrence County Educational Service Center, Lawrence County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012 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 budgetary comparison schedules and notes to the budgetary comparison schedules provide additional analysis and are not a required part of the basic financial statements. We did not subject the budgetary comparison schedules or notes to the budgetary comparison schedules to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

As described in Note 15 to the financial statements, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.  
March 29, 2012

**Lawrence County ESC**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

The discussion and analysis of the Lawrence 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 notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year 2011 are as follows:

- Net assets of governmental activities increased \$377,278.
- General revenues accounted for \$356,054 in revenue or 19% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$1,520,745 or 81% of total revenues of \$1,876,799.
- The Educational Service Center had \$1,499,521 in expenses related to governmental activities; all of these expenses were offset by program revenues.
- The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$1,879,654 and expenditures and other financing uses of \$1,486,529.

**USING THIS ANNUAL FINANCIAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Lawrence 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 and conditions.

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

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

*Statement of Net Assets and Statement of Activities*

While this document contains information about the funds used by the Educational Service Center to provide programs and activities for educational services, 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 similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Lawrence County ESC**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

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

- In the statement of net assets and the statement of activities, all of the Educational Service Center's programs and services are reported as governmental activities including instruction and support services.

***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 7. Fund financial statements provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses a number of funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Other State Grants Special Revenue Fund.

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

**Lawrence County ESC**  
*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 2011 as compared to 2010.

Table 1  
Net Assets

	Governmental Activities	
	2011	2010
<b>Assets</b>		
Current and Other Assets	\$ 707,369	\$ 329,467
Capital Assets, Net	12,883	20,119
Total Assets	720,252	349,586
<b>Liabilities</b>		
Long-Term Liabilities	119,672	111,061
Current and Other Liabilities	58,906	74,129
Total Liabilities	178,578	185,190
<b>Net Assets</b>		
Invested in Capital Assets	12,883	20,119
Restricted	42,541	8,271
Unrestricted	486,250	136,006
Total Net Assets	\$ 541,674	\$ 164,396

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Educational Service Center's assets exceeded liabilities by \$541,674. Current and other assets increased due to an increase to cash on hand at year end and an increase to intergovernmental receivables. Capital assets, net decreased primarily due to current year depreciation exceeding current year additions. Long-term liabilities increased due to higher compensated absences balances at fiscal year end. Current and other liabilities decreased due to decreases in accounts payable.

**Lawrence County ESC**  
*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 year ended June 30, 2011 as compared to 2010.

Table 2  
Changes in Net Assets

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 1,356,809	\$ 1,234,875
Operating Grants and Contributions	163,936	133,358
Total Program Revenues	<u>1,520,745</u>	<u>1,368,233</u>
General Revenues		
Grants and Entitlements, Not Restricted	310,765	258,563
Investment Earnings	-	262
Miscellaneous	45,289	55,856
Total General Revenues	<u>356,054</u>	<u>314,681</u>
Total Revenues	<u>1,876,799</u>	<u>1,682,914</u>
<b>Program Expenses</b>		
Instruction:		
Regular	155,934	210,696
Special	20,000	24,570
Support Services:		
Pupils	420,051	410,419
Instructional Staff	304,640	298,902
Board of Education	53,845	35,132
Administration	209,504	230,774
Fiscal	152,592	143,386
Operation and Maintenance of Plant	23,556	28,314
Central	159,399	153,042
Total Expenses	<u>1,499,521</u>	<u>1,535,235</u>
Increase in Net Assets Before Special Items	377,278	147,679
Special Item	-	(384,033)
Increase/(Decrease) in Net Assets	<u>377,278</u>	<u>(236,354)</u>
Net Assets, Beginning of Year	164,396	400,750
Net Assets, End of Year	<u>\$ 541,674</u>	<u>\$ 164,396</u>

The primary sources of revenue for governmental activities are derived from grants and charges for services. These revenue sources represent 98% of total governmental revenue. Revenue from charges for services and operating grants and contributions increased slightly during fiscal year 2011. General revenue grants and entitlements increased due to the decrease to contract services received through state foundation payments. Charges for services increased due to additional services provided to the local districts.

Total expenses decreased from 2010 to 2011. The largest expenses of the Educational Service Center are for support services, which totaled \$1,323,587 or 88% of total governmental expenses for fiscal year 2011. Regular instruction decreased due to decreases to salaries paid within the Alternative School Program. Fluctuations for expenses are directly related to the needs of the Center's member School Districts.

**Lawrence County ESC**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

Total governmental expenses of \$1,499,521 were offset by program revenues of \$1,520,745 and general revenues of \$356,054. Program revenues supported 100% of the total governmental expenses.

The statement of activities shows the cost of program services and the charges for services, operating grants and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by fees charged for services provided and operating grants and contributions.

Table 3  
 Governmental Activities

	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Program Expenses				
Instruction:				
Regular	\$ 155,934	\$ (49,885)	\$ 210,696	\$ 18,622
Special	20,000	1,030	24,570	3,118
Support Services:				
Pupils	420,051	(4,795)	410,419	44,658
Instructional Staff	304,640	9,980	298,902	32,445
Board of Education	53,845	1,995	35,132	3,519
Administration	209,504	6,890	230,774	25,699
Fiscal	152,592	7,159	143,386	18,061
Operation and Maintenance of Plant	23,556	2,057	28,314	4,604
Central	159,399	4,345	153,042	16,276
Totals	<u>\$ 1,499,521</u>	<u>\$ (21,224)</u>	<u>\$ 1,535,235</u>	<u>\$ 167,002</u>

**THE EDUCATIONAL SERVICE CENTER'S FUNDS**

The Educational Service Center has two major funds: the General Fund and the Other State Grants Special Revenue Fund.

The General Fund had \$1,620,686 in revenues and \$1,296,451 in expenditures and other financing uses. Charges for services increased due to an increase in services provided to the Educational Service Center's local districts. The net change in fund balance for the General Fund was an increase of \$324,235.

The Other State Grants Fund had revenues of \$39,076 and expenditures of \$25,698. The net change in fund balance for the Other State Grants Fund was an increase of \$13,378.

**Lawrence County ESC**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At the end of fiscal year 2011, the Educational Service Center had \$12,883 invested in its furniture, fixtures, and equipment. For additional information on capital assets, see Note 5 to the basic financial statements. Table 4 shows fiscal year 2011 balances compared to 2010.

Table 4  
Capital Assets  
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Furniture, Fixtures and Equipment	<u>\$12,883</u>	<u>\$20,119</u>
Totals	<u><u>\$12,883</u></u>	<u><u>\$20,119</u></u>

Changes in capital assets from the prior year resulted from additions and depreciation.

**DEBT**

The Educational Service Center did not have any debt outstanding as of June 30, 2011. For information regarding other long term obligations, please see Note 9 to the basic financial statements.

**CONTACTING THE EDUCATIONAL SERVICE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Teresa Lawless, Treasurer at Lawrence County Educational Service Center, 111 South 4<sup>th</sup> Street, Ironton, Ohio 45638.

**Lawrence County Educational Service Center**

*Statement of Net Assets*

*As of June 30, 2011*

---

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 642,813
Intergovernmental Receivable	64,556
Depreciable Capital Assets, Net	<u>12,883</u>
<i>Total Assets</i>	<u>720,252</u>
<b>Liabilities</b>	
Accounts Payable	10,418
Accrued Wages and Benefits Payable	13,943
Intergovernmental Payable	34,545
Long-Term Liabilities:	
Due within One Year	67,569
Due in More than One Year	<u>52,103</u>
<i>Total Liabilities</i>	<u>178,578</u>
<b>Net Assets</b>	
Invested in Capital Assets	12,883
Restricted for:	
Other Purposes	42,541
Unrestricted	<u>486,250</u>
<i>Total Net Assets</i>	<u><u>\$ 541,674</u></u>

See accompanying notes to the basic financial statements.

**Lawrence 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	Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 155,934	\$ 109,391	\$ 96,428	\$ 49,885
Special	20,000	18,375	595	(1,030)
Support Services:				
Pupils	420,051	386,298	38,548	4,795
Instructional Staff	304,640	285,419	9,241	(9,980)
Board of Education	53,845	50,224	1,626	(1,995)
Administration	209,504	195,562	7,052	(6,890)
Fiscal	152,592	140,872	4,561	(7,159)
Operation and Maintenance of Plant	23,556	20,825	674	(2,057)
Central	159,399	149,843	5,211	(4,345)
<b>Totals</b>	<b>\$ 1,499,521</b>	<b>\$ 1,356,809</b>	<b>\$ 163,936</b>	<b>21,224</b>
<b>General Revenues</b>				
Grants and Entitlements not Restricted to Specific Programs				310,765
Miscellaneous				45,289
<i>Total General Revenues</i>				<u>356,054</u>
<i>Change in Net Assets</i>				377,278
<i>Net Assets at Beginning of Year</i>				<u>164,396</u>
<i>Net Assets at End of Year</i>				<u><u>\$ 541,674</u></u>

See accompanying notes to the basic financial statements.

**Lawrence County Educational Service Center**

*Balance Sheet*

*Governmental Funds*

*As of June 30, 2011*

	General Fund	Other State Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 600,312	\$ -	\$ 42,501	\$ 642,813
Receivables:				
Intergovernmental	29,276	23,026	12,254	64,556
Interfund	27,750	-	-	27,750
<i>Total Assets</i>	<u>\$ 657,338</u>	<u>\$23,026</u>	<u>\$ 54,755</u>	<u>\$ 735,119</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 10,418	\$ -	\$ -	\$ 10,418
Accrued Wages and Benefits Payable	9,825	-	4,118	13,943
Intergovernmental Payable	31,173	-	3,372	34,545
Interfund Payable	-	23,026	4,724	27,750
<i>Total Liabilities</i>	<u>51,416</u>	<u>23,026</u>	<u>12,214</u>	<u>86,656</u>
<b>Fund Balances</b>				
Restricted	-	-	42,541	42,541
Assigned	15,690	-	-	15,690
Unassigned	590,232	-	-	590,232
<i>Total Fund Balances</i>	<u>605,922</u>	<u>-</u>	<u>42,541</u>	<u>648,463</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 657,338</u>	<u>\$ 23,026</u>	<u>\$ 54,755</u>	<u>\$ 735,119</u>

See accompanying notes to the basic financial statements.

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

---

<b>Total Governmental Fund Balances</b>	\$ 648,463
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	12,883
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences Payable	<u>(119,672)</u>
<b>Net Assets of Governmental Activities</b>	<u><u>\$ 541,674</u></u>

See accompanying notes to the basic financial statements.

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

	General Fund	Other State Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental	\$ 350,424	\$ 39,076	\$ 85,201	\$ 474,701
Charges for Services	666,915	-	131,836	798,751
Contract Services	557,248	-	-	557,248
Rent	810	-	-	810
Miscellaneous	45,289	-	-	45,289
<i>Total Revenues</i>	<u>1,620,686</u>	<u>39,076</u>	<u>217,037</u>	<u>1,876,799</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	7,956	-	147,188	155,144
Special	20,000	-	-	20,000
Support Services:				
Pupils	374,794	25,698	15,515	416,007
Instructional Staff	307,815	-	-	307,815
Board of Education	53,845	-	-	53,845
Administration	201,262	-	1,178	202,440
Fiscal	146,376	-	-	146,376
Operation and Maintenance of Plant	22,316	-	-	22,316
Central	159,232	-	499	159,731
<i>Total Expenditures</i>	<u>1,293,596</u>	<u>25,698</u>	<u>164,380</u>	<u>1,483,674</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>327,090</u>	<u>13,378</u>	<u>52,657</u>	<u>393,125</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	2,855	2,855
Transfers Out	(2,855)	-	-	(2,855)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,855)</u>	<u>-</u>	<u>2,855</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	324,235	13,378	55,512	393,125
<i>Fund Balances (Deficits) at Beginning of Year</i>	<u>281,687</u>	<u>(13,378)</u>	<u>(12,971)</u>	<u>255,338</u>
<i>Fund Balances at End of Year</i>	<u>\$ 605,922</u>	<u>\$0</u>	<u>\$ 42,541</u>	<u>\$ 648,463</u>

See accompanying notes to the basic financial statements.

**Lawrence 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** \$ 393,125

*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 useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period:

Capital Asset Additions	1,767	
Depreciation Expense	<u>(9,003)</u>	(7,236)

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

Increase in Compensated Absences		<u>(8,611)</u>
----------------------------------	--	----------------

**Change in Net Assets of Governmental Activities** \$ 377,278

See accompanying notes to the basic financial statements.

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 1 - REPORTING ENTITY**

The Lawrence County Educational Service Center (the “Educational Service Center”) is located in Ironton, Ohio, the county seat. The Educational Service Center provides supervisory, special education, administrative, and other services to Dawson-Bryant, Fairland, Rock Hill, South Point, and Symmes Valley Local School Districts, as well as the Lawrence County Joint Vocational School District. Ironton City School District and Chesapeake-Union Exempted Village School District are served on a limited basis in the area of handicapped students. 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 Lawrence 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 Educational Service Center has 10 support staff employees and 14 certified administrators that provide services to the school districts.

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

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 for the organization. The Educational Service Center has no component units.

The Educational Service Center participates in two organizations which are defined as jointly governed organizations. These are the South Central Ohio Computer Association and the Lawrence County Joint Vocational School District. Information about these organizations is presented in Note 10 to the basic financial statements.

The Educational Service Center participates in three organizations which are defined as insurance purchasing pools: the Ohio School Boards Association Workers’ Compensation Group Rating Program, the Ohio School Plan and the Southern Ohio Schools Health Care Insurance Purchasing Consortium. Information about these organizations is presented in Note 11 to the basic financial statements.

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

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

**A. Basis of Presentation**

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

*Government-wide Financial Statements:*

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. The statement of net assets presents the financial condition of governmental activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center. 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 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**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 Educational Service Center's funds are all classified as governmental.

**Governmental Funds**

Governmental funds are those through which all 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 Educational Service Center has two major governmental funds:

**General Fund**

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

**Other State Grants Fund**

A fund used to account for various monies received from state agencies which are not classified elsewhere. The primary source of revenue for this fund is intergovernmental monies received from the State.

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

**C. Measurement Focus**

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

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

**D. Basis of Accounting**

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

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**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 year when the resources are required to be used or the fiscal year when use is first permitted. Eligibility requirements also include 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: charges for services, interest, tuition, grants and student fees.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, except for (1) principal and interest on general long-term debt and capital lease obligations, which is recorded when due, and (2) the costs of accumulated unpaid vacation, personal leave and sick leave are reported as fund liabilities as payments come due each period upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Cash and Cash Equivalents**

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

During fiscal year 2011, investments were limited to certificates of deposit which are reported at cost.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

**F. Capital Assets and Depreciation**

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	5-15 years

**G. Interfund Balances**

Receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

**H. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all 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 employees after 10 years of current service with the Educational Service Center.

**I. Accrued Liabilities and Long-Term Obligations**

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences that will be paid from governmental funds upon the occurrence of employee resignations and retirements are reported as a liability in the fund financial statements. Bonds, long-term loans, and capital leases are recognized as a liability on the fund financial statement when due.

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

**J. Interfund Transactions**

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

**K. Fund Balance**

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

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

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

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

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

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

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

**L. Estimates**

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for federal and state grants restricted for specific purposes.

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

Of the Educational Service Center's \$42,541 of restricted net assets, none is restricted by enabling legislation.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations of or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 3 - DEPOSITS AND INVESTMENTS (continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

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

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

As of June 30, 2011, the Educational Service Center's bank balance of \$689,083 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 4 - STATE FUNDING**

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

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$37. This amount is provided from State resources.

If additional funding is needed for the Educational Service Center, and if a majority of the Boards of Education of the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased.

The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**NOTE 5 - CAPITAL ASSETS**

A summary of the changes in capital assets during fiscal year 2011 follows:

	Balance at 6/30/2010	Additions	Deletions	Balance at 6/30/2011
Capital Assets:				
Depreciable Capital Assets:				
Furniture, Fixtures, and Equipment	136,842	1,767	-	138,609
Total Depreciable Capital Assets	136,842	1,767	-	138,609
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(116,723)	(9,003)	-	(125,726)
Total Accumulated Depreciation	(116,723)	(9,003)	-	(125,726)
Total Capital Assets being Depreciated, Net	20,119	(7,236)	-	12,883
Capital Assets, Net	\$ 20,119	\$ (7,236)	\$ -	\$ 12,883

\*Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 790
Support Services:	
Pupils	1,393
Instructional Staff	684
Administration	883
Fiscal	2,578
Operation and Maintenance of Plant	1,240
Central	1,435
Total Depreciation Expense	\$ 9,003

Offices utilized by the Educational Service Center have been provided by the Lawrence County Commissioners.

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 6 - RISK MANAGEMENT**

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.

The Educational Service Center joined together with other school districts and educational service centers in Ohio to participate in the Ohio School Plan (OSP), a public entity 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 11).

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

General Liability:	
Each Occurrence	\$3,000,000
Aggregate Limit	5,000,000
Products – Complete Operations Aggregate Limit	3,000,000
Fire Legal Liability	500,000
Medical Expense Limit – per person/accident	10,000
Employers Liability – Stop Gap:	
Per Accident	3,000,000
Per Disease Each Employee	3,000,000
Per Disease Policy Limit	3,000,000
Employee Benefits Liability:	
Per Claim	3,000,000
Aggregate Limit	5,000,000

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

For fiscal year 2011, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). 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 educational service centers and school districts is calculated as one experience and a common premium rate is applied to all educational service centers and 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to educational service centers and school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The Educational Service Center participates in the Southern Ohio Schools Health Care Insurance Purchasing Consortium (Consortium), an insurance purchasing pool (Note 11). The intent of the Consortium is to achieve the benefit of a reduced health insurance premium for the Educational Service Center by virtue of its grouping and representation with other participants in the Consortium. Each participant pays its health insurance premium to the insurance provider that has been selected by the Consortium. Participation in the Consortium is limited to school districts that can meet the criteria outlined in the Consortium's operating articles. The firm of Cross and Associates provides administrative services to the Consortium.

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS**

**A. Defined Benefit Pension Plans**

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The Educational Service Center's contributions to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$39,655, \$31,128, and \$22,182; 67% has been contributed for fiscal year 2011 and 100% for the fiscal years 2010 and 2009. \$13,034 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability within the respective funds.

State Teachers Retirement System

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

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

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

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

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

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

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

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

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$96,189, \$85,742, and \$118,074, respectively; 88% has been contributed for the fiscal year 2011 and 100% for the fiscal years 2010 and 2009. \$11,858 represents the unpaid contribution for fiscal year 2011 and is recorded as a liability with the respective funds.

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, no members of the Board of Education had elected Social Security.

**B. Postemployment Benefits**

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. For the Educational Service Center, these amounts equaled \$7,318, \$7,043, and \$9,062 for fiscal years 2011, 2010, and 2009, respectively, which were equal to the required allocation for each year.

School Employees Retirement System

Postemployment Benefits

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent and 0.75 percent, respectively. For the Educational Service Center, contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,458, \$1,739, and \$2,131, respectively, which were equal to the required allocation for each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2011, the minimum compensation level was established at \$35,800. For the Educational Service Center, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$7,552, \$4,607, and \$15,921, respectively, which equaled the required allocation for each year.

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

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

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 8 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn twenty days of vacation per calendar year. Unused vacation time is lost at December 31, with the exception of the Superintendent and Treasurer.

Employees earn sick leave at the rate of fifteen days per year. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-half of accrued but unused sick leave credit to a maximum of 90 days.

**B. Health Care Benefits**

The Educational Service Center provides health and major medical insurance for all eligible employees through Medical Mutual. The Educational Service Center pays seventy-five percent of monthly premiums, or \$1,223.30, for family coverage and seventy-five percent of monthly premiums, or \$495.26 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The Educational Service Center also provides prescription drug insurance to its employees through the same insurance carrier.

**NOTE 9 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 2011 were as follows:

	06/30/10	Additions	Deductions	06/30/11	One Year
Compensated Absences	\$111,061	\$75,123	\$66,512	\$119,672	\$67,569

Compensated absences will be paid from the fund from which the employees' salaries are paid, with the General Fund being the most significant fund.

**NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association (SCOCA)* – SCOCA is a jointly governed organization among public school districts and educational service centers within the boundaries of Gallia, Pickaway, Vinton, Jackson, Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts and educational service centers. The governing board of SCOCA consists of two representatives from each of the eleven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts, annual fees for educational service centers set by the governing board, and State funding. The Educational Service Center paid \$33,021 for services provided during fiscal year 2011. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

*Lawrence County Joint Vocational School District* – The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, Ohio 45619. The Educational Service Center made no payments to the Joint Vocational School District in fiscal year 2011.

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 11 - INSURANCE PURCHASING POOLS**

The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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

The Educational Service Center participates in the Southern Ohio School Health Care Insurance Purchasing Consortium, an insurance purchasing pool. The Consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

**NOTE 12 - 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 is 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 would not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2011.

**B. Litigation**

The Educational Service Center is not currently a party to any pending litigation.

**NOTE 13 - RECEIVABLES**

Receivables at June 30, 2011 consisted of interfund receivables, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of intergovernmental receivables follows:

Major Funds:	
General Fund	\$ 29,276
Other State Grants Fund	23,026
Other Governmental Funds:	
Alternative Education Fund	7,530
Miscellaneous Federal Grants Fund	4,724
	<u>\$ 64,556</u>

**Lawrence County ESC**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

**NOTE 14 - INTERFUND ACTIVITY**

**Interfund Balances**

Interfund balances at June 30, 2011 consist of the following individual fund receivables and payables, which are expected to be repaid during fiscal year 2012:

	Receivable	Payable
<i>Major Funds:</i>		
General	\$27,750	\$0
Other State Grants Fund	0	23,026
<i>Other Governmental Fund:</i>		
Miscellaneous Federal Grants Fund	0	4,724
<b>Total</b>	<b>\$27,750</b>	<b>\$27,750</b>

The amount due to the General Fund is a result of the Educational Service Center using unrestricted funds to support grant funds whose grants operate on a reimbursement basis. The General Fund will be reimbursed when funds become available in the Other State Grants and Miscellaneous Federal Grants funds.

**Transfers**

Transfers were made from the General Fund in the amount of \$2,855 to move unrestricted balances to support programs and projects accounted for in the Miscellaneous Federal Grants Fund.

**NOTE 15 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES**

For fiscal year 2011, the Center has implemented Governmental Accounting Standard 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 no restatements of the Educational Service Center’s financial statements.

**NOTE 16 – FUND BALANCES**

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

Fund Balances	General Fund	Other State Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>Restricted for</b>				
Other Purposes	\$0	\$0	\$42,541	\$42,541
<b>Total Restricted</b>	<b>0</b>	<b>0</b>	<b>42,541</b>	<b>42,541</b>
<b>Assigned to</b>				
Other Purposes	15,690	0	0	15,690
<b>Unassigned (Deficit)</b>	<b>590,232</b>	<b>0</b>	<b>0</b>	<b>590,232</b>
<b>Total Fund Balances</b>	<b>\$605,922</b>	<b>\$0</b>	<b>\$42,541</b>	<b>\$648,463</b>

**SUPPLEMENTAL  
INFORMATION**

**Lawrence County ESC**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Budget Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2011*

	Budget Amounts			Variance With Final Budget Over/(Under)
	Original	Final	Actual	
<b>Revenues</b>				
Intergovernmental	\$ 357,938	\$ 350,479	\$ 350,479	\$ -
Rent	1,770	810	810	-
Charges for Services	611,750	645,272	645,272	-
Contract Services	557,248	557,248	557,248	-
Miscellaneous	37,077	45,256	45,551	295
<i>Total Revenues</i>	1,565,783	1,599,065	1,599,360	295
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	31,937	14,085	3,258	10,827
Special	24,867	20,297	20,297	-
Support Services:				
Pupils	391,896	375,877	375,878	(1)
Instructional Staff	317,252	306,459	306,458	1
Board of Education	34,429	62,899	62,899	-
Administration	225,483	198,657	198,657	-
Fiscal	136,539	147,785	147,784	1
Operation and Maintenance of Plant	27,876	22,239	22,239	-
Central	161,964	187,316	187,317	(1)
<i>Total Expenditures</i>	1,352,243	1,335,614	1,324,787	10,827
<i>Excess of Revenues Over Expenditures</i>	213,540	263,451	274,573	11,122
<b>Other Financing Sources (Uses)</b>				
Transfers In	29,747	52,184	-	(52,184)
Transfers Out	(87,577)	(44,213)	(2,855)	41,358
<i>Total Other Financing Sources (Uses)</i>	(57,830)	7,971	(2,855)	(10,826)
<i>Net Change in Fund Balance</i>	155,710	271,422	271,718	296
<i>Fund Balance at Beginning of Year</i>	320,191	320,191	320,191	-
<i>Prior Year Encumbrances Appropriated</i>	19,935	19,935	19,935	-
<i>Fund Balance at End of Year</i>	<u>\$ 495,836</u>	<u>\$ 611,548</u>	<u>\$ 611,844</u>	<u>\$ 296</u>

See accompanying notes to the supplementary information.

**Lawrence County ESC**  
*Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget (Budget Basis) and Actual  
Other State Grants Fund  
For the Fiscal Year Ended June 30, 2011*

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 12,000	\$ 16,050	\$ 16,050	\$ -
<i>Total Revenues</i>	12,000	16,050	16,050	-
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	25,378	-	-	-
Support Services:				
Pupils	21,975	25,698	25,698	-
<i>Total Expenditures</i>	47,353	25,698	25,698	-
<i>Net Change in Fund Balance</i>	(35,353)	(9,648)	(9,648)	-
<i>Fund Balance at Beginning of Year</i>	(13,378)	(13,378)	(13,378)	-
<i>Fund Balance at End of Year</i>	<u>\$ (48,731)</u>	<u>\$ (23,026)</u>	<u>\$ (23,026)</u>	<u>\$ -</u>

See accompanying notes to the supplementary information.

**Lawrence County ESC**  
*Notes to the Supplementary Information*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 1 - BUDGETARY PROCESS**

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

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

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

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the 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 balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The schedules of revenues, expenditures and changes in fund balance – budget (budget basis) and actual – for the General Fund and the Other State Grants Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

**Lawrence County ESC**  
*Notes to the Supplementary Information*  
*For the Fiscal Year Ended June 30, 2011*

---

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING** (continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis schedules for the General Fund and the Other State Grants Special Revenue Fund.

	Net Changes in Fund Balances	
	General	Other State Grants
GAAP Basis	\$ 324,235	\$ 13,378
Adjustments:		
Revenue Accruals	(10,499)	(23,026)
Expenditure Accruals	(25,801)	-
Encumbrances	(16,217)	-
Budget Basis	\$ 271,718	\$ (9,648)



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

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

Members of the Governing Board  
Lawrence County Educational Service Center  
111 South Fourth Street  
Ironton, Ohio 45638

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lawrence County Educational Service Center, Lawrence County, Ohio (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 March 29, 2012 wherein we noted that the Center implemented GASB Statements No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Members of the Governing Board  
Lawrence County Educational Service Center  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
March 29, 2012



# Dave Yost • Auditor of State

LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER

LAWRENCE 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  
MAY 15, 2012