



Mary Taylor, CPA  
Auditor of State



**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Greene County Educational Service Center, Greene County, (the Center), as of and for the year ended June 30, 2010, 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, the major fund, and the aggregate remaining fund information of Greene County Educational Service Center, Greene County, as of June 30, 2010, and the respective changes in financial position 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 July 30, 2010, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund provides additional information and is not a required part of the basic financial statements. We subjected the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 30, 2010

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

The discussion and analysis of the Greene County Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- The Educational Service Center had increases to salaries through step increases during the fiscal year.
- Participation of the Educational Service Center in the Early Learning Initiative Program was ended during fiscal year 2010.

**Using the Basic Financial Statements**

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

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

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

**Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting; which is similar to the accounting used by most private-sector companies. His basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

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

**Governmental Funds**

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

**The Educational Service Center as a Whole**

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

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2010 compared to fiscal year 2009.

<b>Table 1</b>			
<b>Net Assets</b>			
	<b>2010</b>	<b>2009</b>	<b>Change</b>
<b>Assets:</b>			
Current and Other Assets	\$3,546,100	\$3,550,898	(\$ 4,798)
Capital Assets, Net	689,494	667,198	22,296
Total Assets	4,235,594	4,218,096	17,498
<b>Liabilities:</b>			
Other Liabilities	1,737,192	1,759,625	(22,433)
Long-Term Liabilities	921,939	926,024	(4,085)
Total Liabilities	2,659,131	2,685,649	(26,518)
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	563,697	485,535	78,162
Restricted	84,357	158,394	(74,037)
Unrestricted	928,409	888,518	39,891
Total Net Assets	\$1,576,463	\$1,532,447	\$44,016

Capital assets of governmental activities increased \$22,296 due to additions to capital assets exceeding current year depreciation.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

Restricted Net Assets decreased \$74,037 due to the Early Learning Initiative Program ending. Invested in Capital Assets, Net of Related Debt increased \$78,162 due to current fiscal year additions to capital assets exceeding current fiscal year depreciation and the current fiscal year capital lease payment.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

**Table 2  
Changes in Net Assets**

	<u>2010</u>	<u>2009</u>	<u>Change</u>
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for Services	\$10,806,664	\$10,322,348	\$ 484,316
Operating Grants and Contributions	1,086,440	1,258,046	(171,606)
Total Program Revenues	<u>11,893,104</u>	<u>11,580,394</u>	<u>312,710</u>
<b>General Revenues:</b>			
Grants and Entitlements	1,354,506	1,395,276	(40,770)
Interest	12,121	22,446	(10,325)
Miscellaneous	316,372	269,108	47,264
Total General Revenues	<u>1,682,999</u>	<u>1,686,830</u>	<u>(3,831)</u>
Total Revenues	<u>13,576,103</u>	<u>13,267,224</u>	<u>308,879</u>
<b>Program Expenses:</b>			
<b>Instruction:</b>			
Regular	586,565	2,352,758	(1,766,193)
Special	3,208,508	4,171,910	(963,402)
<b>Support Services:</b>			
Pupils	6,649,367	3,492,286	3,157,081
Instructional Staff	2,134,628	2,190,624	(55,996)
Board of Education	26,024	20,499	5,525
Administration	310,717	295,939	14,778
Fiscal	263,951	280,009	(16,058)
Business	47,665	39,283	8,382
Operation and Maintenance of Plant	199,709	201,307	(1,598)
Central	27,137	7,664	19,473
Operation of Non-Instructional Services	7,350	7,228	122
Intergovernmental	62,605	29,024	33,581
Interest and Fiscal Charges	7,861	10,596	(2,735)
Total Expenses	<u>13,532,087</u>	<u>13,099,127</u>	<u>\$432,960</u>
Increase in Net Assets	44,016	168,097	
Net Assets at Beginning of Year	<u>1,532,447</u>	<u>1,364,350</u>	
Net Assets at End of Year	<u>\$ 1,576,463</u>	<u>\$ 1,532,447</u>	

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

**Governmental Activities**

In total, revenues increased \$308,879 due to increases in charges for services. All revenues, other than charges for services, decreased by a total of \$175,437. Decreases in State funding from a poor economy was the main reason for the decrease in these revenues. Charges for services revenue increased as a result of increases in fees and expansion of services the Educational Service Center provides as well as a more aggressive approach to collections.

Overall, expenses increased \$432,960, due mainly to step increases for employees. The large fluctuations between expenses are due to the Educational Service Center changing the way expenses within programs are classified.

**The Educational Service Center's Funds**

Information about the Educational Service Center's major fund starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$13,647,879 and expenditures of \$13,558,468, excluding transfers. The net change in fund balance for the fiscal year in the General Fund was \$166,162. The Educational Service Center covers its costs by combining State revenue with the revenue it realizes from the local school districts in the county. The intent is to realize a marginal profit. The districts are charged an estimated "cost of services" each month. At fiscal year-end, a reconciliation is performed to determine what a district may still owe or what a district may be owed. Typically, after the estimated amount is established, additional services may be requested. Usually, the revenue to cover these additional expenses is not received until after the reconciliation is performed. On occasion, this revenue is not received until well into the following fiscal year.

The Educational Service Center also has programs that are paid for with tuition charged to the districts using these programs. Expenses are realized in the fiscal year, but tuition invoices at the end of the fiscal year are typically not paid in a timely manner. The increase in the General Fund balance is due to a combination of estimating the "cost of services" more accurately and through a more aggressive accounts receivable program for tuition. Using a more aggressive accounts receivable program enables a realization of more tuition revenue within the required time to be included as revenue for the fiscal year, which contributed to the increase in the General Fund.

**Capital Assets**

Table 3 shows fiscal year 2010 balances compared to fiscal year 2009.

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

	<b>2010</b>	<b>2009</b>
Land	\$161,360	\$161,360
Land Improvements	17,973	19,141
Building and Improvements	401,695	379,569
Furniture and Equipment	108,466	107,128
<b>Totals</b>	<b>\$689,494</b>	<b>\$667,198</b>

Overall capital assets, net of depreciation, increased \$22,296 from fiscal year 2009. For more information on capital assets, refer to Note 6 of the basic financial statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

**Debt Administration**

At June 30, 2010, the Educational Service Center had \$125,797 in total outstanding debt for capital leases. Refer to Notes 11 and 12 of the basic financial statements for additional information.

**Current Financial Issues and Concerns**

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

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

The Educational Service Center's Alternative Education programs are, for the most part, elective programs. If financial constraints on the districts become large enough, and they choose not to enroll children in the programs, the programs will fail to support themselves. If this were to happen, the Educational Service Center would terminate these elective programs. The Alternative Education programs account for about \$947,000 of the Educational Service Center's annual costs and revenues.

**Contacting the Educational Service Center's Financial Management**

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

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**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,157,902
Accrued Interest Receivable	1,670
Accounts Receivable	289
Intergovernmental Receivable	380,349
Prepaid Items	5,890
Non-depreciable Capital Assets	161,360
Depreciable Capital Assets, Net	528,134
Total Assets	4,235,594
<b>Liabilities:</b>	
Accounts Payable	20,319
Accrued Wages and Benefits Payable	1,298,744
Intergovernmental Payable	375,731
Matured Compensated Absences Payable	42,398
<b>Long-Term Liabilities:</b>	
Due Within One Year	158,784
Due in More Than One Year	763,155
Total Liabilities	2,659,131
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	563,697
Restricted for Other Purposes	84,357
Unrestricted	928,409
Total Net Assets	\$1,576,463

*See Accompanying Notes to the Basic Financial Statements.*

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>			
<b>Instruction:</b>			
Regular	\$586,565	\$1,323,667	\$54,073
Special	3,208,508	2,524,887	919,116
<b>Support Services:</b>			
Pupils	6,649,367	5,263,591	26,050
Instructional Staff	2,134,628	1,694,519	
Board of Education	26,024		
Administration	310,717		
Fiscal	263,951		
Business	47,665		
Operation and Maintenance of Plant	199,709		
Central	27,137		
		7,412	
<b>Operation of Non-Instructional:</b>			
Services	7,350		
Intergovernmental	62,605		
Interest and Fiscal Charges	7,861		
Total Governmental Activities	<u>\$13,532,087</u>	<u>\$10,806,664</u>	<u>\$1,086,440</u>
<b>General Revenues:</b>			
Grants and Entitlements not Restricted to Specific Programs			1,354,506
Interest			12,121
Miscellaneous			316,372
Total General Revenues			<u>1,682,999</u>
Change in Net Assets			44,016
Net Assets at Beginning of Year			<u>1,532,447</u>
Net Assets at End of Year			<u>\$1,576,463</u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,058,002	\$99,900	\$3,157,902
<b>Receivables:</b>			
Accrued Interest	1,670		1,670
Accounts	289		289
Intergovernmental	379,486	863	380,349
Prepaid Items	5,890		5,890
Total Assets	<u>3,445,337</u>	<u>100,763</u>	<u>3,546,100</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	15,574	4,745	20,319
Accrued Wages and Benefits Payable	1,292,629	6,115	1,298,744
Intergovernmental Payable	374,852	879	375,731
Matured Compensated Absences Payable	42,398		42,398
Deferred Revenue	5,264	863	6,127
Total Liabilities	<u>1,730,717</u>	<u>12,602</u>	<u>1,743,319</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	24,897	1,297	26,194
<b>Unreserved, Undesignated, Reported in:</b>			
General Fund	1,689,723		1,689,723
Special Revenue Funds		86,864	86,864
Total Fund Balances	<u>1,714,620</u>	<u>88,161</u>	<u>1,802,781</u>
Total Liabilities and Fund Balances	<u>\$3,445,337</u>	<u>\$100,763</u>	<u>\$3,546,100</u>

*See Accompanying Notes to the Basic Financial Statements.*

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

**Total Governmental Fund Balances** \$1,802,781

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

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

Land	\$161,360	
Land Improvements	25,344	
Building and Improvements	575,173	
Furniture and Equipment	268,116	
Accumulated Depreciation	(340,499)	
		689,494

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

Intergovernmental	5,863	
Interest	264	
		6,127

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

Capital Lease Payable	(125,797)	
Compensated Absences Payable	(796,142)	
		(921,939)

**Net Assets of Governmental Activities** \$1,576,463

*See Accompanying Notes to the Basic Financial Statements.*

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Intergovernmental	\$2,321,442	\$182,927	\$2,504,369
Interest	17,498		17,498
Tuition and Fees	10,809,640		10,809,640
Miscellaneous	274,489	41,883	316,372
Total Revenues	<u>13,423,069</u>	<u>224,810</u>	<u>13,647,879</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Instruction:			
Regular	642,880	54,073	696,953
Special	3,189,538	30,510	3,220,048
<b>Support Services:</b>			
Pupils	6,418,730	48,178	6,466,908
Instructional Staff	2,130,916	1,585	2,132,501
Board of Education	26,024		26,024
Administration	297,771		297,771
Fiscal	260,601		260,601
Business	46,886		46,886
Operation and Maintenance of Plant	206,584		206,584
Central		26,837	26,837
Operation of Non-Instructional Services		7,350	7,350
Capital Outlay	43,673		43,673
Intergovernmental		62,605	62,605
Debt Service:			
Principal Retirement	55,866		55,866
Interest and Fiscal Charges	7,861		7,861
Total Expenditures	<u>13,327,330</u>	<u>231,138</u>	<u>13,558,468</u>
Excess of Revenues Over (Under) Expenditures	<u>95,739</u>	<u>(6,328)</u>	<u>89,411</u>
<b>Other Financing Sources (Uses):</b>			
Transfer In	70,423		70,423
Transfer Out		(70,423)	(70,423)
Total Other Financing Sources (Uses)	<u>70,423</u>	<u>(70,423)</u>	
Net Change in Fund Balances	166,162	(76,751)	89,411
Fund Balances at Beginning of Year	1,548,458	164,912	1,713,370
Fund Balances at End of Year	<u>\$1,714,620</u>	<u>\$88,161</u>	<u>\$1,802,781</u>

See Accompanying Notes to the Basic Financial Statements.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$89,411

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

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

In the current period, these amounts are:

Capital Outlay	\$64,855	
Depreciation Expense	<u>(42,559)</u>	
Excess of Capital Outlay Over Depreciation Expense		22,296

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

Capital Lease Payments	55,866
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Some revenues that will not be collected for several months after the Educational Service Center's fiscal year-end are not considered "available" revenues and are deferred in the governmental funds.

Deferred revenues changed by these amounts:

Tuition and Fees	(2,976)	
Intergovernmental	(63,423)	
Interest	<u>(5,377)</u>	
		(71,776)

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

Increase in Compensated Absences	<u>(51,781)</u>
----------------------------------	-----------------

Change in Net Assets of Governmental Activities	<u><u>\$44,016</u></u>
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*See Accompanying Notes to the Basic Financial Statements.*

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

**1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY**

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

The Greene County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board members must be a resident of either Cedar Cliff, Greenview, or Sugarcreek Local School Districts. The Educational Service Center has 193 employees, which includes 45 teachers, 46 special education therapists, 40 educational aides, 25 mental health therapists, 24 administrative employees, and 13 administrative support staff that provide services to the local, exempted village, and city school districts.

**A. Reporting Entity:**

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

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

The Educational Service Center participates in three jointly governed organizations, two insurance purchasing pools and one public entity shared risk pool. These organizations are discussed in Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pools:

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

Public Entity Shared Risk Pool:

- Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-wide Financial Statements:**

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

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

**2. Fund Financial Statements:**

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds:**

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

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

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**

**1. Government-wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

**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. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Revenues – Exchange and Non-exchange Transactions:**

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

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

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

**2. Deferred Revenue:**

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

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

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

**3. Expenses/Expenditures:**

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

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

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

During fiscal year 2010, the Educational Service Center had no investments.

Following Ohio Statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$17,498, which includes \$1,016 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported on the financial statements as cash equivalents.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

**G. Capital Assets**

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Accrued Liabilities and Long-term Obligations**

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

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

**I. Compensated Absences**

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

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

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

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

**J. Net Assets**

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Fund Balance Reserves**

The Educational Service Center reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances.

**L. Pass-Through Grants**

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

**M. Internal Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

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

**N. Estimates**

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

**3. DEPOSITS AND INVESTMENTS**

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Greene County Educational Service Center will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$3,582,521 of the Educational Service Center's bank balance of \$3,832,521 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's agent or trust department, but not in the name of the pool.

The Educational Service Center has no policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the Educational Service Center or qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**4. STATE AND LOCAL SCHOOL DISTRICT FUNDING**

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

The Educational Service Center also receives funding from the State Department of Education in the amount of \$37 times the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all local school districts within the Educational Service Center's territory and all of the Educational Service Center's client school districts. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the Education Service Center's local and client school districts an amount equal to \$6.50 times the school district's total student count and remits this amount to the Educational Service Center.

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

**5. RECEIVABLES**

Receivables at June 30, 2010, consisted of accrued interest, accounts, and intergovernmental in the forms of excess costs, tuition, and student fees from other school districts. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities:</b>	
Excess Costs	\$379,486
Family and Civic Engagement in Schools Grant	<u>863</u>
Total Intergovernmental Receivables	<u><u>\$380,349</u></u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/10</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, not Being Depreciated:</b>				
Land	\$161,360			\$161,360
<b>Capital Assets, Being Depreciated:</b>				
Land Improvements	25,344			25,344
Building and Improvements	528,450	\$46,723		575,173
Furniture and Equipment	249,984	18,132		268,116
Total Capital Assets, Being Depreciated	<u>803,778</u>	<u>64,855</u>		<u>868,633</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(6,203)	(1,168)		(7,371)
Building and Improvements	(148,881)	(24,597)		(173,478)
Furniture and Equipment	(142,856)	(16,794)		(159,650)
Total Accumulated Depreciation	<u>(297,940)</u>	<u>(42,559)</u> *		<u>(340,499)</u>
Capital Assets, Being Depreciated, Net	<u>505,838</u>	<u>22,296</u>		<u>528,134</u>
Governmental Activities Capital Assets, Net	<u>\$667,198</u>	<u>\$22,296</u>	<u>\$0</u>	<u>\$689,494</u>

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

<b>Instruction:</b>	
Regular	\$ 599
Special	11,929
<b>Support Services:</b>	
Pupils	2,787
Instructional Staff	6,801
Administration	4,653
Fiscal	1,217
Operation and Maintenance of Plant	14,273
Central	300
Total Depreciation Expense	<u>\$42,559</u>

**7. RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Educational Service Center contracted with Indiana Insurance Company for property insurance.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. RISK MANAGEMENT (Continued)**

During fiscal year 2010, the Educational Service Center, along with other school districts in Ohio, participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district or educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP (See Note 13). The Educational Service Center contracts for education general liability, employee benefits liability, employer's liability and stop gap, errors and omissions liability, and employment practices with OSP.

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

**B. Workers' Compensation**

For fiscal year 2010, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). 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 participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting Company provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2010, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (Trust), a public entity shared risk pool (Note 13). The Educational Service Center pays monthly premiums to the Trust for employee medical, dental, and vision insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$327,514, \$228,754, and \$225,734, respectively; 100 percent has been contributed for all three fiscal years.

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

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**Funding Policy** – For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009, and 2008 were \$888,940, \$856,830 and \$802,201, respectively; 83.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Information for contributions to the DC and Combined Plans for fiscal year 2010 was not available.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, one member of the Governing Board has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009 (latest information available), this amount was \$35,800.

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$62,972, \$153,480, and \$152,285, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,477, \$16,446, and \$16,265, respectively; 100 percent has been contributed for all three fiscal years.

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

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$68,380, \$65,910, and \$61,708, respectively; 83.6 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. OTHER EMPLOYEE BENEFITS (Continued)**

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

**B. Insurance Benefits**

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

**C. Deferred Compensation Plan**

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

**11. CAPITALIZED LEASES – LESSEE DISCLOSURE**

In fiscal year 2003, the Educational Service Center entered into a lease-purchase agreement for the purchase and renovation of the land and building where the Educational Service Center is housed, instead of continuing to make rental payments. The initial term of the agreement was July 25, 2002, until June 30, 2003, provided that U. S. Bank and/or the Educational Service Center will have the right each year to either renew for an additional one-year renewable term until the end of the lease or pay off the total amount outstanding at that time. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments made during fiscal year 2010 totaled \$55,866 in the General Fund.

The assets acquired through the capital lease are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$161,360		\$161,360
Building and Improvements	338,640	\$108,368	230,272
Totals	<u>\$500,000</u>	<u>\$108,368</u>	<u>\$391,632</u>

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. CAPITALIZED LEASES – LESSEE DISCLOSURE (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010.

	<b>Year</b>	<b>Amount</b>
	2011	\$ 63,727
	2012	63,727
	2013	5,311
Total		132,765
Less: Amount Representing Interest		(6,968)
Present Value of Minimum Lease Payments		\$125,797

**12. LONG-TERM OBLIGATIONS**

	<b>Amount Outstanding 6/30/09</b>	<b>Additions</b>	<b>Deductions</b>	<b>Amount Outstanding 6/30/10</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities:</b>					
Capital Lease Obligation	\$181,663		\$ 55,866	\$125,797	\$ 58,742
Compensated Absences	744,361	\$145,247	93,466	796,142	100,042
Total Governmental Activities					
Long-Term Liabilities	\$926,024	\$145,247	\$149,332	\$921,939	\$158,784

The Capital lease will be paid from the General Fund. Compensated absences will be paid from the General Fund and the Miscellaneous Local Grants Fund.

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

**A. Jointly Governed Organizations**

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts, except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$10,782 for services provided during fiscal year 2010. Financial information can be obtained from Dean Reineke, who serves as Executive Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**Southwestern Ohio Educational Purchasing Council** – The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts and educational service centers in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2010, the Educational Service Center paid \$300 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

In fiscal year 2010, the Educational Service Center paid \$1,000 to the Council. Continued existence of the Council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding. To obtain financial information, write to the Greene County Family and Children First Council, Sue Giga, who serves as director, at 158 E. Main Street, Xenia, Ohio 45385.

**B. Insurance Purchasing Pools**

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**Ohio School Plan** – The Educational Service Center participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the 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 13 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting, claims management, risk management, accounting, system support services, sales and marketing to the OSP. Hylant Administrative Services, LLC also coordinates reinsurance brokerage services for the OSP.

**C. Public Entity Shared Risk Pool**

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

**14. INTERFUND ACTIVITY**

Other governmental funds had transfers to the General Fund in the amount of \$70,423. A transfer was done to close out the Early Learning Initiative program due to the program ending.

**15. 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 will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2010.

**B. Litigation**

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental	\$2,148,319	\$2,197,105	\$2,329,149	\$132,044
Interest	16,655	16,655	16,658	3
Tuition and Fees	10,557,166	10,520,252	10,580,802	60,550
Miscellaneous	271,214	289,063	290,796	1,733
Total Revenues	<u>12,993,354</u>	<u>13,023,075</u>	<u>13,217,405</u>	<u>194,330</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	910,639	914,689	870,405	44,284
Special	3,357,264	3,374,518	3,247,257	127,261
<b>Support Services:</b>				
Pupils	6,043,438	6,109,996	5,915,826	194,170
Instructional Staff	2,334,321	2,356,273	2,143,809	212,464
Board of Education	34,034	34,034	25,618	8,416
Administration	336,053	332,947	298,597	34,350
Fiscal	279,392	281,721	272,297	9,424
Business	54,354	57,985	45,837	12,148
Operation and Maintenance of Plant	264,034	264,034	206,948	57,086
Capital Outlay	111,000	141,000	118,437	22,563
Total Expenditures	<u>13,724,529</u>	<u>13,867,197</u>	<u>13,145,031</u>	<u>722,166</u>
Excess of Revenues Over (Under) Expenditures	<u>(731,175)</u>	<u>(844,122)</u>	<u>72,374</u>	<u>916,496</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In		70,423	70,423	
Refund of Prior Year Receipts	(286,770)	(300,270)	(229,942)	70,328
Total Other Financing Sources (Uses)	<u>(286,770)</u>	<u>(229,847)</u>	<u>(159,519)</u>	<u>70,328</u>
Net Change in Fund Balance	(1,017,945)	(1,073,969)	(87,145)	986,824
Fund Balance at Beginning of Year	3,079,585	3,079,585	3,079,585	
Prior Year Encumbrances Appropriated	22,240	22,240	22,240	
Fund Balance at End of Year	<u>\$2,083,880</u>	<u>\$2,027,856</u>	<u>\$3,014,680</u>	<u>\$986,824</u>

See Accompanying Notes to the Supplemental Information.

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**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

**1. BUDGETARY PROCESS**

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

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

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

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

**2. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**GREENE COUNTY EDUCATIONAL SERVICE CENTER  
GREENE COUNTY**

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

**2. BUDGETARY BASIS OF ACCOUNTING (Continued)**

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$166,162
Revenue Accruals	(205,664)
Expenditure Accruals	(4,321)
Encumbrances	<u>(43,322)</u>
Budget Basis	<u>(\$ 87,145)</u>



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

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

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the Center's management in a separate letter dated July 30, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

July 30, 2010



**Mary Taylor, CPA**  
Auditor of State

**GREENE COUNTY EDUCATIONAL SERVICE CENTER**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 26, 2010**