



Balestra, Harr & Scherer, CPAs, Inc.

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

www.bhscpas.com

Gallia-Vinton Educational Service Center

Gallia County, Ohio

Single Audit

July 1, 2011 through June 30, 2012

Year Audited Under GAGAS: 2012

bhs

Circleville

Ironton

Piketon

Wheelersburg

Worthington



Dave Yost • Auditor of State

Board of Education
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, Ohio 45674

We have reviewed the *Independent Auditor's Report* of the Gallia-Vinton Educational Service Center, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 13, 2013

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Gallia-Vinton Educational Service Center
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For the Fiscal Year Ended June 30, 2012

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

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Independent Auditor's Report

Members of the Board of Education
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Center), as of and for the year ended June 30, 2012, 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2012, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The budgetary comparison schedules and notes to the budgetary comparison schedules provide additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the budgetary comparison schedules or notes to the budgetary comparison schedules to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 26, 2012

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Gallia-Vinton Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2012 by \$1,061,606.
- The Center's net assets of governmental activities decreased \$232,243.
- General revenues accounted for \$242,654 or 6 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3,951,519 or 94 percent of total revenues of \$4,194,173.
- The Center had \$4,426,416 in expenses related to governmental activities; all but \$474,897 of these expenses were offset by program specific charges for services and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Gallia-Vinton Educational Service Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies.

All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net assets and changes to those assets. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the Center has only one kind of activity.

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

- **Governmental Activities.** All of the Center's programs and services are reported here including support services, operation and maintenance of plant, and pupil transportation.

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 6. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Gallia-Vinton Educational Service Center's major funds are the General Fund, the IDEA Preschool Grant for the Handicapped Special Revenue Fund, the Improving Teacher Quality Special Revenue Fund, and the Miscellaneous Federal Grants Special Revenue Fund.

Governmental Funds. All of the 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 year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) 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 CENTER AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2012 compared to 2011.

Table 1
 Net Assets
 Governmental Activities

	2012	2011
Assets:		
Current and Other Assets	\$1,144,215	1,362,194
Capital Assets, Net	43,450	52,586
Total Assets	1,187,665	1,414,780
Liabilities:		
Current and Other Liabilities	69,936	57,503
Long-Term Liabilities	56,123	63,428
Total Liabilities	126,059	120,931
Net Assets:		
Invested in Capital Assets	43,450	52,586
Restricted for Other Purposes	27,148	244,626
Unrestricted	991,008	996,637
Total Net Assets	\$1,061,606	\$1,293,849

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Total net assets of the Center as a whole decreased \$232,243. The decrease to net assets is primarily due to decreases in intergovernmental receivable and capital assets.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2012 as compared with 2011.

Table 2
Changes in Net Assets
Governmental Activities

	2012	2011
Revenues		
Program Revenues:		
Charges for Services	\$1,375,161	\$1,665,141
Operating Grants & Contributions	2,576,358	2,305,008
Total Program Revenues	3,951,519	3,970,149
General Revenues:		
Grants and Entitlements Not Restricted	210,713	208,575
Investment Earnings	24,662	40,517
Miscellaneous	7,279	9,432
Total General Revenues	242,654	258,524
Total Revenues	4,194,173	4,228,673
Program Expenses		
Instruction:		
Regular	1,484,560	972,453
Special	-	135
Support Services:		
Pupil	448,594	286,273
Instructional Staff	1,119,909	1,058,566
Board of Education	35,621	28,906
Administration	936,955	883,185
Fiscal	104,233	115,701
Operation and Maintenance of Plant	28,278	26,015
Pupil Transportation	185,167	356,527
Central	54,281	51,295
Operation of Non-Instructional Services	28,818	28,140
Total Expenses	4,426,416	3,807,196
Increase /(Decrease) in Net Assets	(232,243)	421,477
Net Assets at Beginning of Year	1,293,849	872,372
Net Assets at End of Year	\$1,061,606	\$1,293,849

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Governmental Activities

Charges for services comprised 33 percent of revenue, while operating grants and contributions comprised 61 percent of revenue for governmental activities of the Gallia-Vinton Educational Service Center for fiscal year 2012. The decrease in charges for services was primarily a result of decreased revenue for services provided to local school districts related to the 21st Century program and after school programs. The increase in operating grants and contributions was primarily due to an increase in intergovernmental revenue for the Teach Ohio program received by the Center during fiscal year 2012.

As indicated by governmental program expenses, regular instruction and support services for the benefit of the instructional staff and administration is emphasized. Regular instruction, instructional staff support services and administration support services comprised 34 percent, 25 percent and 21 percent of governmental program expenses, respectively. The most significant increases were seen in expenses for regular instruction, instructional staff, and pupil which are directly related to the increase in grants and entitlements restricted to specific programs.

Pupil transportation expenses decreased primarily due to several schools not offering after school programs during the year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for 2012 as compared with 2011. That is, it identifies the cost of these services supported by unrestricted State entitlements.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$1,484,560	\$158,128	\$972,588	\$(74,059)
Support Services	2,913,038	313,762	2,806,468	(83,788)
Operation of Non- Instructional	28,818	3,007	28,140	(5,106)
Total Expenses	\$4,426,416	\$474,897	\$3,807,196	\$(162,953)

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$4,194,173 and expenditures of \$4,424,585.

The fund balance of the General Fund increased in the amount of \$13,036. This increase was due to an increase in revenues which were offset by an increase in expenditures.

The fund balance of the IDEA Preschool Grant for the Handicapped Fund increased \$762 and had a (\$4,192) balance at June 30, 2012. This negative fund balance was due to excess expenditures within the fund.

The fund balance of the Improving Teacher Quality Fund decreased \$21,778 due to a carryover negative fund balance from the prior year.

The Miscellaneous Federal Grants fund had a \$248,658 decrease in fund balance at June 30, 2012 due to an increase in expenditures.

Gallia-Vinton Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the Center had \$43,450 invested in its capital assets. Table 4 shows the fiscal year 2012 balances compared to 2011.

Table 4
Capital Assets
(Net of Accumulated Depreciation)

Governmental Activities

	2012	2011
Furniture and Equipment	<u>\$43,450</u>	<u>\$52,586</u>
Totals	<u>\$43,450</u>	<u>\$52,586</u>

Changes in capital assets from the prior year resulted from additions and depreciation. See Note 4 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2012, the Center did not have any outstanding debt obligations. See Note 9 to the basic financial statements for more detailed information related to other long-term obligations.

ECONOMIC FACTORS

The Center relies heavily on grants for its funding. It received the 21st Century Grant, Teach Ohio, Safe and Drug Free Grant, and the IDEA Preschool Grant for the Handicapped in fiscal year 2012. The Center is continually applying for new grants.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lily Blevins, Treasurer, Gallia-Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

Gallia-Vinton Educational Service Center
Statement of Net Assets
June 30, 2012

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,091,381
Intergovernmental Receivable	52,834
Noncurrent Assets:	
Depreciable Capital Assets, net	43,450
<i>Total Assets</i>	1,187,665
LIABILITIES:	
Current Liabilities:	
Accounts Payable	21,990
Accrued Wages and Benefits	34,428
Intergovernmental Payable	13,518
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	37,500
Due in More Than One Year	18,623
<i>Total Liabilities</i>	126,059
NET ASSETS:	
Invested in Capital Assets	43,450
Restricted for Other Purposes	27,148
Unrestricted	991,008
<i>Total Net Assets</i>	\$ 1,061,606

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

Gallia-Vinton Educational Service Center

Statement of Activities

For the Fiscal Year Ended June 30, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 1,484,560	\$ 279,157	\$ 1,047,275	\$ (158,128)
Support Services:				
Pupil	448,594	248,904	154,157	(45,533)
Instructional Staff	1,119,909	379,544	623,029	(117,336)
Board of Education	35,621	22,003	9,205	(4,413)
Administration	936,955	341,040	494,861	(101,054)
Fiscal	104,233	41,255	51,277	(11,701)
Operation and Maintenance of Plant	28,278	-	22,012	(6,266)
Pupil Transportation	185,167	42,630	121,890	(20,647)
Central	54,281	15,127	32,342	(6,812)
Operation of Non-Instructional Services	28,818	5,501	20,310	(3,007)
<i>Totals</i>	<u>\$ 4,426,416</u>	<u>\$ 1,375,161</u>	<u>\$ 2,576,358</u>	<u>(474,897)</u>
General Revenues				
				210,713
				24,662
				7,279
				<u>242,654</u>
				<i>Change in Net Assets</i> (232,243)
				<u>Net Assets Beginning of Year</u> 1,293,849
				<u>Net Assets End of Year</u> \$ 1,061,606

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

Gallia-Vinton Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2012

	General Fund	IDEA Preschool Grant for the Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	\$ 1,063,571	\$ 3	\$ -	\$ 1,581	\$ 26,226	\$ 1,091,381
Interfund Receivable	43,891	-	-	-	-	43,891
Intergovernmental Receivable	<u>31,310</u>	<u>9,919</u>	<u>6,465</u>	<u>5,140</u>	<u>-</u>	<u>52,834</u>
<i>Total Assets</i>	<u>\$ 1,138,772</u>	<u>\$ 9,922</u>	<u>\$ 6,465</u>	<u>\$ 6,721</u>	<u>\$ 26,226</u>	<u>\$ 1,188,106</u>
LIABILITIES:						
Current Liabilities:						
Accounts Payable	\$ 21,920	\$ -	\$ 70	\$ -	\$ -	\$ 21,990
Accrued Wages and Benefits	34,422	6	-	-	-	34,428
Interfund Payable	-	9,919	28,173	5,799	-	43,891
Intergovernmental Payable	<u>9,329</u>	<u>4,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,518</u>
<i>Total Liabilities</i>	<u>65,671</u>	<u>14,114</u>	<u>28,243</u>	<u>5,799</u>	<u>-</u>	<u>113,827</u>
FUND BALANCES:						
Restricted	-	-	-	922	26,226	27,148
Unassigned	<u>1,073,101</u>	<u>(4,192)</u>	<u>(21,778)</u>	<u>-</u>	<u>-</u>	<u>1,047,131</u>
<i>Total Fund Balances</i>	<u>1,073,101</u>	<u>(4,192)</u>	<u>(21,778)</u>	<u>922</u>	<u>26,226</u>	<u>1,074,279</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,138,772</u>	<u>\$ 9,922</u>	<u>\$ 6,465</u>	<u>\$ 6,721</u>	<u>\$ 26,226</u>	<u>\$ 1,188,106</u>

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

Gallia-Vinton Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2012

Total Governmental Fund Balances \$ 1,074,279

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. 43,450

Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences	(56,123)	
Total		(56,123)

Net Assets of Governmental Activities \$ 1,061,606

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

Gallia-Vinton Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	IDEA Preschool Grant for the Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Intergovernmental	\$ 786,020	\$ 119,018	\$ 9,442	\$ 1,716,581	\$ 156,010	\$ 2,787,071
Interest	24,662	-	-	-	-	24,662
Contract Services	111,141	-	-	-	-	111,141
Customer Sales and Services	1,264,020	-	-	-	-	1,264,020
Miscellaneous	7,279	-	-	-	-	7,279
<i>Total Revenues</i>	<u>2,193,122</u>	<u>119,018</u>	<u>9,442</u>	<u>1,716,581</u>	<u>156,010</u>	<u>4,194,173</u>
EXPENDITURES:						
Current:						
Instruction:						
Regular	438,326	-	6,761	1,030,497	3,225	1,478,809
Support Services:						
Pupil	389,958	49,983	-	-	3,609	443,550
Instructional Staff	594,013	39,715	16,609	375,151	90,120	1,115,608
Board of Education	35,621	-	-	-	-	35,621
Administration	556,614	4,000	7,850	362,334	23,142	953,940
Fiscal	65,577	-	-	32,656	6,000	104,233
Operation and Maintenance of Plant	-	24,558	-	-	-	24,558
Pupil Transportation	67,669	-	-	117,498	-	185,167
Central	24,242	-	-	30,039	-	54,281
Operation of Non-Instructional Services	8,066	-	-	17,064	3,688	28,818
<i>Total Expenditures</i>	<u>2,180,086</u>	<u>118,256</u>	<u>31,220</u>	<u>1,965,239</u>	<u>129,784</u>	<u>4,424,585</u>
Excess of Revenues Over (Under) Expenditures	13,036	762	(21,778)	(248,658)	26,226	(230,412)
<i>Net Changes in Fund Balances</i>	13,036	762	(21,778)	(248,658)	26,226	(230,412)
<i>Fund Balances (Deficit) at Beginning of Year</i>	<u>1,060,065</u>	<u>(4,954)</u>	<u>-</u>	<u>249,580</u>	<u>-</u>	<u>1,304,691</u>
<i>Fund Balances (Deficit) at End of Year</i>	<u>\$ 1,073,101</u>	<u>\$ (4,192)</u>	<u>\$ (21,778)</u>	<u>\$ 922</u>	<u>\$ 26,226</u>	<u>\$ 1,074,279</u>

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

"

Gallia-Vinton Educational Service Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ (230,412)

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. This is the amount by which depreciation exceeded capital asset additions in the current period.

Capital Asset Additions	4,126	
Current Year Depreciation	(13,262)	
Total	(9,136)	(9,136)

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

Decrease in Compensated Absences		7,305
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Net Change in Net Assets of Governmental Activities \$ (232,243)

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

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 1 - DESCRIPTION OF THE ENTITY

Description of the Educational Service Center:

The Gallia-Vinton Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a County Educational Service Center as defined by Section 3311.05 of the Ohio Revised Code. The Center is an administrative entity providing supervision and certain other services to the local school districts located in Gallia and Vinton Counties. It currently operates under a Governing Board form of government consisting of three (3) members elected from Vinton County and four (4) members elected from Gallia County.

Reporting Entity:

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2012, the Center had no component units.

The following jointly governed organizations, which perform activities within the Center's boundaries for the benefit of its residents, are excluded from the accompanying financial statements because the Center is not financially accountable for these entities nor are they fiscally dependent on the Center.

Southeast Ohio Voluntary Education Cooperative (SEOVEC)
Gallia-Jackson-Vinton Joint Vocational School District

The Center also participates in one public entity risk pool:
Ohio School Boards Association Workers' Compensation Group Rating Program

These jointly governed organizations and the public entity risk pool are presented in Note 10 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these basic financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Fund Accounting

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose 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 Center's major governmental funds:

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

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

IDEA Preschool Grant for the Handicapped Fund – The IDEA Preschool Grant for the Handicapped Fund is used to account for monies received for the improvement and expansion of services for handicapped children. The major source of revenue for this fund is grant monies received from the Department of Education.

Improving Teacher Quality Fund – The Improving Teacher Quality Fund is used to account for monies to hire additional classroom teachers in grades 1 through 3, so that the number of students per teacher will be reduced. The major source of revenue for this fund is grant monies received from the Department of Education.

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Financial Statements:

During the year, the Center segregates transactions related to certain 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 Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting:

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

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

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

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

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the 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 that specify the year when the resources are required to be used or the fiscal year when use is first permitted. Eligibility requirements also include matching requirements, in which the Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the 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 year-end: interest, tuition, and grants.

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

D. Cash and Cash Equivalents

Cash received by the Center is deposited into one bank account with individual fund balance integrity maintained. Balances of all funds are maintained in this account. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board policy. Each fund's interest of the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Interest earned amounted to \$24,662 which was recorded in the General Fund. During fiscal year 2012, the Center did not have any investments.

E. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$1,000. The Center does not possess any infrastructure.

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

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Furniture and Equipment	5-10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

Vacation and personal leave benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate its employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and the employees the Center has identified as probable of receiving payment in the future. The Center records an accrual for sick leave for all employees with six years or more of service. The accrual amount is based upon accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the Center's severance policy.

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

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

G. 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, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits 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 in the current year.

H. Net Assets

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

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

As of June 30, 2012, there were no net assets restricted by enabling legislation.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fund Balance

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

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

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

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

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

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

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

J. Estimates

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

K. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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. Interfund transfers within governmental activities are eliminated in the statement of activities. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio);

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits:

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

As of June 30, 2012, the Center's bank balance of \$1,337,994 is either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above. As of June 30, 2012, the Center had no investments.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 4 - CAPITAL ASSETS

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

	<u>Ending Balance 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6/30/2012</u>
Governmental Activities				
Capital Assets Being Depreciated				
Furniture and Equipment	\$ 79,944	\$ 4,126	\$ (3,795)	\$ 80,275
Total Capital Assets Being Depreciated	<u>79,944</u>	<u>4,126</u>	<u>(3,795)</u>	<u>80,275</u>
Less Accumulated Depreciation:				
Furniture and Equipment	(27,358)	(13,262)	3,795	\$ (36,825)
Total Accumulated Depreciation	<u>(27,358)</u>	<u>(13,262)</u>	<u>3,795</u>	<u>(36,825)</u>
Total Capital Assets Being Depreciated, Net	<u>52,586</u>	<u>(9,136)</u>	<u>-</u>	<u>43,450</u>
Governmental Activities Capital Assets, Net	<u>\$ 52,586</u>	<u>\$ (9,136)</u>	<u>\$ -</u>	<u>\$ 43,450</u>

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Instructional Staff	\$ 1,790
Administration	3,626
Operation and Maintenance of Plant	7,846
Total Depreciation Expense	<u>\$ 13,262</u>

NOTE 5 - RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to tort, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the Center contracted with The Grange Mutual Casualty Company for property insurance coverage. The policies include a \$500 deductible.

Professional and general liability is protected by the Schools of Ohio Risk Sharing Authority with a \$12,000,000 single occurrence limit with a \$14,000,000 aggregate and no deductible.

The Center pays the State Workers' Compensation System a premium based on a rate per \$100 salaries. This rate is calculated based on accident history and administrative costs.

The Center has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 5 - RISK MANAGEMENT (Continued)

B. Workers Compensation

For the fiscal year 2012, the Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool (Note 10). The intent of the GRP is to achieve the benefit of a reduced premium for the 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. Total savings are then calculated and each participant's individual performance is compared to the overall saving percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Compmanagement provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The Center provides health, major medical and prescription drug for all eligible employees through United Healthcare Insurance Company. The Center provides dental insurance for all eligible employees through Oasis Dental Trust Insurance Company. The Center pays monthly premiums of \$644.21 for individual coverage and \$1,624.18 for family coverage. Premiums are paid from the same funds that pay the employees' salaries. Employees who choose family coverage must pay any amount exceeding an annual cap.

The Center provides life insurance and accidental death and dismemberment insurance to some employees through Anthem Life Insurance Company in the amount of \$25,000 for classified employees, \$20,000 for certified employees, and twice the salary amount for each administrator with a maximum coverage of \$181,000.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS; Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Center's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$9,832, \$14,669, and \$25,352, respectively; 97 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. \$269 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

State Teachers Retirement System

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

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

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

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

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

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

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

For the fiscal years ended June 30, 2012, 2011, and 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$71,881, \$56,603, and \$54,074, respectively; 91 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. \$6,800 represents the unpaid contribution for fiscal year 2012 and is recorded as a liability within the respective funds.

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

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, none of the members of the Governing Board have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 7 – POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011 and 2010. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$5,851, \$4,719, and \$3,987 for fiscal years 2012, 2011, and 2010, respectively, which were equal to the required allocations for each year.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

Gallia-Vinton Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2012

NOTE 7 – POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2012, 2011, and 2010, the actuarially required allocations were 0.75 percent, 0.76 percent, and 0.76 percent, respectively. For the Center, contributions for the fiscal years ended June 30, 2012, 2011, and 2010 were \$946, \$1,280, and \$971, which were equal to the required contributions for each year.

Health Care Plan

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

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

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

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2012, 2011, and 2010, the health care allocations were 0.55 percent, 1.43 percent, and 0.46 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. For the Center, the amounts assigned to health care, including the surcharge, during the 2012, 2011, and 2010 fiscal years equaled \$3,940, \$5,337, and \$3,142, respectively, which equaled the required allocation for each year.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

NOTE 8 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month and may accumulate up to 15 days per year. Upon retirement, after six (6) years of service, any employee will receive payment for one-fourth of accrued sick leave up to a maximum of fifty (50) days.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Center during fiscal year 2012 were as follows:

	Balance Outstanding <u>At June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>At June 30, 2012</u>	Amount Due in <u>One Year</u>
Compensated Absences	\$63,428	\$92,726	\$100,031	\$56,123	\$37,500

Compensated absences will be paid from the fund from which the employee is paid with the General Fund being the primary fund to make such payments.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS & PUBLIC ENTITY RISK POOL

A. Jointly Governed Organizations

Southeast Ohio Voluntary Education Cooperative – The Southeast Ohio Voluntary Education Cooperative (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Centers. SEOVEC has 28 participants consisting of 25 Centers and 3 educational service centers. SEOVEC is governed by a governing board, which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to Southeast Ohio Voluntary Educational Consortium, Jimmy Battrell, CEO/Director, at 221 North Columbus Road, Athens, Ohio 45701.

Gallia-Jackson-Vinton Joint Vocational School District – Gallia-Jackson-Vinton Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board comprised of eleven members appointed by the participating schools, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School, Donalyn Smith, who serves as Treasurer, at 351 Buckeye Hills Road, Rio Grande, Ohio 45674.

B. Public Entity Risk Pool

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

NOTE 11 - CONTINGENCIES

Grants:

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the Center at June 30, 2012, if applicable, cannot be determined at this time.

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 12 – INTERFUND ACTIVITY

Interfund Advances

As of June 30, 2012, receivables and payables that resulted from interfund transactions were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds:		
General Fund	\$ 43,891	\$ -
IDEA Preschool Grant for the Handicapped Fund	-	9,919
Improving Teacher Quality	-	28,173
Miscellaneous Federal Grants Fund	-	5,799
Total Major Funds	<u>43,891</u>	<u>43,891</u>
Total All Funds	<u>\$ 43,891</u>	<u>\$ 43,891</u>

The General Fund made an advance to the IDEA Preschool Grant for the Handicapped Special Revenue Fund, the Improving Teacher Quality Special Revenue Fund, and the Miscellaneous Federal Grants Special Revenue Fund of the Center in anticipation of grant monies to be received by these funds.

Transfers

No transfers were made during the year ended June 30, 2012.

NOTE 13 – RECEIVABLES

Receivables at June 30, 2012, consisted of interfund receivables and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Major Funds:	
General Fund	\$31,310
IDEA Preschool Grant for the Handicapped	9,919
Improving Teacher Quality	6,465
Miscellaneous Federal Grants	<u>5,140</u>
Total All Funds	<u>\$52,834</u>

Gallia-Vinton Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 14 – ACCOUNTABILITY

At June 30, 2012, the IDEA Preschool Grant for the Handicapped Special Revenue Fund and Title II-A Special Revenue Funds had a fund balance deficit of \$4,192 and \$21,778 respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 15 – FUND BALANCES

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

Fund Balances	General	IDEA Preschool Grant for the Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
Restricted for						
Other Purposes	\$0	\$0	\$0	\$922	\$26,226	\$27,148
Total Restricted	<u>0</u>	<u>0</u>	<u>0</u>	<u>922</u>	<u>26,226</u>	<u>27,148</u>
Unassigned (Deficit)	<u>1,073,101</u>	<u>(4,192)</u>	<u>(21,778)</u>	<u>0</u>	<u>0</u>	<u>1,047,131</u>
Total Fund Balances	<u>\$1,073,101</u>	<u>(\$4,192)</u>	<u>(\$21,778)</u>	<u>\$922</u>	<u>\$26,226</u>	<u>\$1,074,279</u>

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amounts			Variance With Final Budget Over/(Under)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 223,839	\$ 223,839	\$ 786,020	\$ 562,181
Interest	17,628	17,628	24,662	7,034
Contract Services	79,441	79,441	111,141	31,700
Customer Sales and Services	1,219,510	1,219,510	1,233,270	13,760
Miscellaneous	5,876	5,876	8,219	2,343
<i>Total Revenues</i>	1,546,294	1,546,294	2,163,312	617,018
EXPENDITURES:				
Current:				
Instruction:				
Regular	247,196	247,196	437,926	(190,730)
Support Services:				
Pupil	214,491	214,491	379,986	(165,495)
Instructional Staff	326,265	326,265	578,002	(251,737)
Board of Education	19,255	19,255	34,111	(14,856)
Administration	320,754	320,754	568,239	(247,485)
Fiscal	38,791	38,791	68,721	(29,930)
Pupil Transportation	38,197	38,197	67,669	(29,472)
Central	13,684	13,684	24,242	(10,558)
Operation of Non-instructional Services	4,551	4,551	8,066	(3,515)
<i>Total Expenditures</i>	1,223,184	1,223,184	2,166,962	(943,778)
Excess of Revenues Over (Under) Expenditures	323,110	323,110	(3,650)	(326,760)
OTHER FINANCING SOURCES (USES):				
Advances In	13,894	13,894	13,894	-
Advances Out	(43,891)	(43,891)	(43,891)	-
Total Other Financing Sources (Uses)	(29,997)	(29,997)	(29,997)	-
Net Change in Fund Balance	293,113	293,113	(33,647)	(326,760)
Fund Balance at Beginning of Year	1,097,218	1,097,218	1,097,218	-
Fund Balance at End of Year	\$ 1,390,331	\$ 1,390,331	\$ 1,063,571	\$ (326,760)

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
IDEA Preschool Grant for the Handicapped Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 121,162	\$ 121,162	\$ 119,685	\$ (1,477)
<i>Total Revenues</i>	121,162	121,162	119,685	(1,477)
EXPENDITURES:				
Current:				
Support Services:				
Pupils	50,927	50,927	50,303	624
Instructional Staff	40,654	40,654	40,156	498
Administration	4,050	4,050	4,000	50
Operation and Maintenance of Plant	24,864	24,864	24,558	306
<i>Total Expenditures</i>	120,495	120,495	119,017	1,478
Excess of Revenues Over (Under) Expenditures	667	667	668	1
OTHER FINANCING SOURCES (USES):				
Advances In	9,919	9,919	9,919	-
Advances Out	(10,586)	(10,586)	(10,586)	-
<i>Total Other Financing Sources (Uses)</i>	(667)	(667)	(667)	-
Net Change in Fund Balance	-	-	1	1
Fund Balance at Beginning of Year	2	2	2	-
Fund Balance at End of Year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 1</u>

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Improving Teacher Quality Grant Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 31,150	\$ 31,150
<i>Total Revenues</i>	-	-	31,150	31,150
EXPENDITURES:				
Current:				
Instruction:				
Regular	-	6,691	6,691	-
Support Services:				
Instructional Staff	-	16,609	16,609	-
Administration	-	7,850	7,850	-
<i>Total Expenditures</i>	-	31,150	31,150	-
Excess of Receipts Over (Under) Disbursements	-	(31,150)	-	31,150
Net Change in Fund Balance	-	(31,150)	-	31,150
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ (31,150)</u>	<u>\$ -</u>	<u>\$ 31,150</u>

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Miscellaneous Federal Grant Fund
For the Fiscal Year Ended June 30, 2012

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,576,689	\$ 2,576,689	\$ 1,961,832	\$ (614,857)
<i>Total Revenues</i>	2,576,689	2,576,689	1,961,832	(614,857)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,352,425	1,352,425	1,030,497	321,928
Support Services:				
Instructional Staff	492,348	492,348	375,151	117,197
Administration	475,527	475,527	362,334	113,193
Fiscal	42,858	42,858	32,656	10,202
Pupil Transportation	154,205	154,205	117,498	36,707
Central	39,423	39,423	30,039	9,384
Operation of Non-instructional Services	22,394	22,394	17,063	5,331
<i>Total Expenditures</i>	2,579,180	2,579,180	1,965,238	613,942
Excess of Receipts Over (Under) Disbursements	(2,491)	(2,491)	(3,406)	(915)
OTHER FINANCING SOURCES (USES):				
Advances In	5,799	5,799	5,799	-
Advances Out	(3,308)	(3,308)	(3,308)	-
Total Other Financing Sources (Uses)	2,491	2,491	2,491	-
Net Change in Fund Balance	-	-	(915)	(915)
Fund Balance at Beginning of Year	2,497	2,497	2,497	-
Fund Balance at End of Year	\$ 2,497	\$ 2,497	\$ 1,582	\$ (915)

See accompanying notes to supplementary information.

Gallia-Vinton Educational Service Center
Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2012

Note 1 – Budgetary Process

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

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

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

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

Note 2 – Budgetary Basis of Accounting

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

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

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

Gallia-Vinton Educational Service Center
Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2012

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis schedules for the General Fund, the IDEA Preschool Grant for the Handicapped, Improving Teacher Quality, and the Miscellaneous Federal Grants Special Revenue Funds.

	Net Changes in Fund Balances			
	General	IDEA Preschool Grant for the Handicapped	Improving Teacher Quality	Miscellaneous Federal Grants
GAAP Basis	\$ 13,036	\$ 762	\$ (21,778)	\$ (248,658)
Adjustments:			-	
Revenue Accruals	(29,810)	667	21,708	245,251
Expenditure Accruals	13,124	(761)	70	1
Advances In	13,894	9,919	-	5,799
Advances Out	(43,891)	(10,586)	-	(3,308)
Budget Basis	\$ (33,647)	\$ 1	\$ -	\$ (915)

Gallia-Vinton Educational Service Center
Gallia County
Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
<i>Passed through Ohio Department of Education</i>				
National School Lunch Program	3L60	10.555	\$ 4,736	\$ 3,688
Total United States Department of Agriculture			4,736	3,688
United States Department of Education				
<i>Fund for the Improvement of Education, Teaching American History</i>				
Improving Literacy Through School Libraries	Direct	84.215X	166,650	166,650
	Direct	84.364A	245,500	247,998
<i>Passed through Ohio Department of Health</i>				
Special Education Grants for Infants and Families	N/A	84.181	129,603	129,603
<i>Passed through Ohio Department of Rehabilitation Services</i>				
Rehabilitation Services Demonstration and Training Programs	N/A	84.235	41,376	41,376
<i>Passed through Ohio Department of Education</i>				
Twenty-First Century Community Learning Centers	3Y20	84.287	1,300,000	1,300,000
Safe and Drug Free Schools and Communities	3D10	84.186	75,000	75,000
Mathematics and Science Partnerships	3D20	84.366	211,031	211,031
Improving Teacher Quality State Grants	3Y60	84.367	2,977	2,977
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top, Recovery Act	3FD0	84.395	76,274	51,094
Total United States Department of Education			2,248,411	2,225,729
Total Federal Financial Assistance			<u>\$ 2,253,147</u>	<u>\$ 2,229,417</u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

N/A - pass through number not available

Gallia-Vinton Educational Service Center
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the Center's federal award programs. The Schedule has been prepared on the cash basis of accounting.



Balestra, Harr & Scherer, CPAs, Inc.

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

Members of the Board of Education
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Center) as of and for the year ended June 30, 2012, which collectively comprise the Center's basic financial statements and have issued our report thereon dated October 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Members of the Board of Education
Gallia-Vinton Educational Service Center
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 26, 2012



Balestra, Harr & Scherer, CPAs, Inc.

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Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education
Gallia-Vinton Educational Service Center
P.O. Box 178
Rio Grande, OH 45674

Compliance

We have audited the compliance of Gallia-Vinton Educational Service Center, Gallia County, Ohio (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect Gallia-Vinton Educational Service Center's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Gallia-Vinton Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
October 26, 2012

Gallia-Vinton Educational Service Center
 Schedule of Findings
 OMB CIRCULAR A-133 SECTION .505
 June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

GALLIA-VINTON EDUCATIONAL SERVICE CENTER

GALLIA 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
JANUARY 24, 2013