

Perry-Hocking Educational Service Center

Perry County

Single Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

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Mary Taylor, CPA
Auditor of State

Members of the Board
Perry Hocking Educational Service Center
1605 Airport Road
New Lexington, Ohio 43764

We have reviewed the *Independent Auditor's Report* of the Perry Hocking Educational Service Center, Perry County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2009

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Perry Hocking Educational Service Center
Perry County, Ohio

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Perry Hocking Educational Service Center
1605 Airport Road
New Lexington, Ohio 43764

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry Hocking Educational Service Center (the Center), Perry County, as of and for the year ended June 30, 2008, 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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

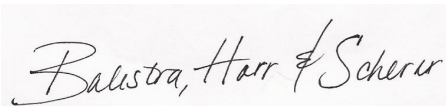
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Center, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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 February 20, 2009 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, 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.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The supplementary information on pages 41 through 44 provides additional information and is not a required part of the basic financial statements. The schedule of federal awards receipts and expenditures on pages 45 and 46 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the supplementary information and the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 19 to the basic financial statements, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*.

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

Balestra, Harr & Scherer, CPAs, Inc.

February 20, 2009

Perry-Hocking Educational Service Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The discussion and analysis of the Perry-Hocking Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2008 are as follows:

- In total, net assets decreased \$106,825.
- Program specific revenues, in the form of charges for services and sales and operating grants and contributions, accounted for \$5,915,328, or 91 percent of total revenues.
- The Educational Service Center had \$6,624,956 in total expenses. Only \$5,915,328 of these expenses were offset by program specific charges for services and sales and operating grants and contributions. The remaining \$709,628 of these expenses was offset by general revenues.

USING THIS ANNUAL FINANCIAL REPORT

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

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

Reporting the Educational Service Center as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the Educational Service Center to provide programs and activities for students, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Perry-Hocking Educational Service Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins on page 7. Fund financial statements provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental funds are the General Fund and the Public Preschool Special Revenue Fund.

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Educational Service Center's fiduciary funds are agency funds which are used to maintain financial activity of the Educational Service Center employee flexible spending plans. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Perry-Hocking Educational Service Center

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

THE EDUCATIONAL SERVICE CENTER AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current and Other Assets	\$ 1,120,826	\$ 1,188,413
Capital Assets	564,058	565,817
Total Assets	<u>1,684,884</u>	<u>1,754,230</u>
Liabilities		
Long-term Liabilities	279,053	274,681
Current and Other Liabilities	931,905	898,798
Total Liabilities	<u>1,210,958</u>	<u>1,173,479</u>
Net Assets		
Invested in Capital Assets, Net of Debt	499,022	523,572
Restricted	15,290	8,552
Unrestricted (Deficit)	<u>(40,386)</u>	<u>48,627</u>
Total Net Assets	<u>\$ 473,926</u>	<u>\$ 580,751</u>

Total net assets decreased \$106,825. This decrease is primarily due to a decrease in current and other assets resulting from a decrease in intergovernmental receivable from the prior year. Current and other liabilities also increased primarily resulting from an increase in accrued wages and benefits which was partially offset by a decrease in accounts payable.

Perry-Hocking Educational Service Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 4,056,582	\$ 3,683,454
Operating Grants and Contributions	1,858,746	2,732,090
Total Program Revenues	<u>5,915,328</u>	<u>6,415,544</u>
General Revenues		
Grants and Entitlements Not Restricted	501,866	574,029
Investment Earnings	23,303	27,789
Gifts and Donations Not Restricted	3,195	2,359
Miscellaneous	74,439	79,037
Total General Revenues	<u>602,803</u>	<u>683,214</u>
Total Revenues	<u>6,518,131</u>	<u>7,098,758</u>
Program Expenses		
Instruction:		
Regular	807,318	710,209
Special	899,426	862,963
Vocational	12,295	-
Adult/Continuing	39,816	36,883
Other	51,871	91,054
Support Services:		
Pupils	1,155,336	1,122,821
Instructional Staff	1,987,548	2,469,134
Board of Education	35,766	35,805
Administration	1,044,287	1,187,500
Fiscal	225,720	199,244
Operation and Maintenance of Plant	181,796	121,809
Pupil Transportation	42,926	15,610
Central	121,171	82,485
Operation of Non-Instructional Services	12,407	17,795
Extracurricular Activities	3,036	4,523
Interest and Fiscal Charges	4,237	4,918
Total Expenses	<u>6,624,956</u>	<u>6,962,753</u>
Change in Net Assets	(106,825)	136,005
Net Assets, Beginning of Year	580,751	444,746
Net Assets, End of Year	<u>\$ 473,926</u>	<u>\$ 580,751</u>

Charges for services increased \$373,128 primarily as a result of increased revenue from foundation contracts. Operating grants and contributions decreased \$873,344 primarily as a result of a decrease in RSIT grant revenue as well as other grants received by the Educational Service Center. Overall, total revenues decreased \$580,627.

Expenses for instructional staff support services and administration support services decreased \$481,586, and \$143,213, respectively, and expenses for regular instruction increased \$97,109. These variances, as well as other less significant increases and decreases, resulted in a decrease in total expenses of \$337,797. These variances reflect changing contract staffing needs due to changes in grants received by the Educational Service Center as well as the Educational Service Center's diligence in keeping expenses to a minimum.

Perry-Hocking Educational Service Center

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Charges for services and sales comprised 62 percent of revenue for governmental activities, while operating grants and contributions comprised 29 percent of revenue for governmental activities of the Educational Service Center for fiscal year 2008.

As indicated by governmental program expenses, support services are emphasized. Support services instructional staff comprised 30 percent of governmental program expenses with support services pupils and support services administration comprising 17 and 16 percent, respectively, of governmental expenses.

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

Table 3
Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program Expenses				
Instruction:				
Regular	\$ 807,318	\$ 65,721	\$ 710,209	\$ 48,262
Special	899,426	109,034	862,963	104,616
Vocational	12,295	1,455	-	-
Adult/Continuing	39,816	2,020	36,883	(61)
Other	51,871	2,126	91,054	(42,972)
Support Services:				
Pupils	1,155,336	119,876	1,122,821	113,963
Instructional Staff	1,987,548	218,431	2,469,134	153,489
Board of Education	35,766	4,232	35,805	4,420
Administration	1,044,287	115,648	1,187,500	99,898
Fiscal	225,720	23,815	199,244	23,565
Operation and Maintenance of Plant	181,796	21,952	121,809	17,676
Pupil Transportation	42,926	1,878	15,610	226
Central	121,171	9,550	82,485	11,170
Operation of Non-Instructional Services	12,407	9,529	17,795	8,015
Extracurricular Activities	3,036	124	4,523	24
Interest and Fiscal Charges	4,237	4,237	4,918	4,918
Total	<u>\$ 6,624,956</u>	<u>\$ 709,628</u>	<u>\$ 6,962,753</u>	<u>\$ 547,209</u>

THE EDUCATIONAL SERVICE CENTER FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$6,627,276 and expenditures and other financing uses of \$6,680,098. The net change in fund balance for the year was most significant in the Public Preschool Special Revenue Fund.

The fund balance of the General Fund decreased \$43,988. Contract services, passed through the State Foundation, reported in accordance with Auditor of State Technical Bulletin 2002-007, increased by \$325,461. Intergovernmental revenue decreased due to a decrease in grant revenues received. Expenditures for support services for instructional staff and administration decreased reflecting changing contract staffing needs due to changes in grants received by the Educational Service Center.

Perry-Hocking Educational Service Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

Unaudited

The fund balance of the Public Preschool Special Revenue Fund decreased \$61,310. Although intergovernmental revenue increased, there was also a corresponding increase in expenditures relating to the growth of the preschool program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the Educational Service Center had \$564,058 invested in land, construction in progress, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2008 balances compared to 2007.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$ 193,898	\$ 193,898
Construction in Progress	9,905	-
Buildings and Improvements	188,118	185,408
Furniture, Fixtures and Equipment	167,962	180,666
Vehicles	4,175	5,845
Totals	<u>\$ 564,058</u>	<u>\$ 565,817</u>

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

Debt

At June 30, 2008, the Educational Service Center had capital leases outstanding of \$65,036 for copiers. For additional information on debt, see Note 12 to the basic financial statements.

CONTACTING THE EDUCATIONAL SERVICE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Kathy Sampson, Treasurer at Perry-Hocking Educational Service Center, 1605 Airport Road, New Lexington, Ohio 43764.

Perry-Hocking Educational Service Center
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 927,257
Accounts Receivable	53,026
Intergovernmental Receivable	140,543
Noncurrent Assets:	
Non-Depreciable Capital Assets	203,803
Depreciable Capital Assets, net	360,255
<i>Total Assets</i>	1,684,884
LIABILITIES:	
Current Liabilities:	
Accounts Payable	79,521
Accrued Wages and Benefits	624,189
Intergovernmental Payable	205,774
Matured Compensated Absences Payable	12,295
Claims Payable	10,126
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	29,404
Due in More Than One Year	249,649
<i>Total Liabilities</i>	1,210,958
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	499,022
Restricted for Debt Service	2,110
Restricted for Capital Outlay	13,180
Unrestricted (Deficit)	(40,386)
<i>Total Net Assets</i>	\$ 473,926

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

Perry-Hocking Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction:				
Regular	\$ 807,318	\$ 364,985	\$ 376,612	\$ (65,721)
Special	899,426	722,946	67,446	(109,034)
Vocational	12,295	10,106	734	(1,455)
Adult/Continuing	39,816	2,349	35,447	(2,020)
Other	51,871	3,092	46,653	(2,126)
Support Services:				
Pupils	1,155,336	773,680	261,780	(119,876)
Instructional Staff	1,987,548	1,263,291	505,826	(218,431)
Board of Education	35,766	29,399	2,135	(4,232)
Administration	1,044,287	565,622	363,017	(115,648)
Fiscal	225,720	144,236	57,669	(23,815)
Operation and Maintenance of Plant	181,796	73,246	86,598	(21,952)
Pupil Transportation	42,926	3,725	37,323	(1,878)
Central	121,171	99,545	12,076	(9,550)
Operation of Non-Instructional Services	12,407	179	2,699	(9,529)
Extracurricular Activities	3,036	181	2,731	(124)
Interest and Fiscal Charges	4,237	-	-	(4,237)
<i>Total Governmental Activities</i>	<u>\$ 6,624,956</u>	<u>\$ 4,056,582</u>	<u>\$ 1,858,746</u>	<u>(709,628)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				501,866
Gifts and Donations not Restricted to Specific Programs				3,195
Investment Earnings				23,303
Miscellaneous				74,439
<i>Total General Revenues</i>				<u>602,803</u>
<i>Change in Net Assets</i>				(106,825)
<i>Net Assets Beginning of Year</i>				<u>580,751</u>
<i>Net Assets End of Year</i>				<u>\$ 473,926</u>

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

Perry-Hocking Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Public Preschool</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 429,270	\$ 64,024	\$ 190,842	\$ 684,136
Accounts Receivable	53,026	-	-	53,026
Interfund Receivable	35,934	-	-	35,934
Intergovernmental Receivable	<u>97,297</u>	<u>18,325</u>	<u>24,921</u>	<u>140,543</u>
<i>Total Assets</i>	<u>\$ 615,527</u>	<u>\$ 82,349</u>	<u>\$ 215,763</u>	<u>\$ 913,639</u>
LIABILITIES:				
Accounts Payable	\$ -	\$ 36,216	\$ 43,305	\$ 79,521
Accrued Wages and Benefits	535,517	77,327	11,345	624,189
Interfund Payable	-	5,085	30,849	35,934
Intergovernmental Payable	171,863	18,487	15,424	205,774
Matured Compensated Absences Payable	12,295	-	-	12,295
Deferred Revenue	<u>1,346</u>	<u>-</u>	<u>9,041</u>	<u>10,387</u>
<i>Total Liabilities</i>	<u>721,021</u>	<u>137,115</u>	<u>109,964</u>	<u>968,100</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	19,089	28,709	140,044	187,842
Unreserved, Undesignated, Reported in:				
General Fund	(124,583)	-	-	(124,583)
Special Revenue Funds	-	(83,475)	(49,535)	(133,010)
Debt Service Funds	-	-	2,110	2,110
Capital Projects Funds	<u>-</u>	<u>-</u>	<u>13,180</u>	<u>13,180</u>
<i>Total Fund Balances</i>	<u>(105,494)</u>	<u>(54,766)</u>	<u>105,799</u>	<u>(54,461)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 615,527</u>	<u>\$ 82,349</u>	<u>\$ 215,763</u>	<u>\$ 913,639</u>

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

Perry-Hocking Education Service Center
Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balances		\$ (54,461)
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		564,058
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Grants		10,387
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal fund are included in governmental activities in the statement of net assets.		232,995
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Capital Leases	(65,036)	
Compensated Absences	(214,017)	
	(279,053)	(279,053)
Net Assets of Governmental Activities		\$ 473,926

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

Perry-Hocking Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Public Preschool	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Intergovernmental	\$ 788,973	\$ 628,440	\$ 944,462	\$ 2,361,875
Interest	23,303	-	-	23,303
Tuition and Fees	102,279	-	103,754	206,033
Contract Services	3,843,269	-	-	3,843,269
Gifts and Donations	1,715	-	1,480	3,195
Customer Sales and Services	35,934	-	-	35,934
Miscellaneous	15,219	-	59,220	74,439
<i>Total Revenues</i>	<u>4,810,692</u>	<u>628,440</u>	<u>1,108,916</u>	<u>6,548,048</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	426,145	315,998	72,738	814,881
Special	888,460	-	16,686	905,146
Vocational	12,295	-	-	12,295
Adult/Continuing	-	-	39,121	39,121
Other	-	-	51,871	51,871
Support Services:				
Pupils	923,493	37,806	191,402	1,152,701
Instructional Staff	1,497,336	160,921	305,239	1,963,496
Board of Education	35,766	-	-	35,766
Administration	658,139	77,878	292,377	1,028,394
Fiscal	169,655	18,379	34,345	222,379
Operation and Maintenance of Plant	82,763	55,474	32,517	170,754
Pupil Transportation	1,530	23,294	18,102	42,926
Central	120,709	-	5,414	126,123
Operation of Non-Instructional Services	-	-	3,001	3,001
Extracurricular Activities	-	-	3,036	3,036
Capital Outlay	60,943	-	10,591	71,534
Debt Service:				
Principal	12,437	-	-	12,437
Interest	4,237	-	-	4,237
<i>Total Expenditures</i>	<u>4,893,908</u>	<u>689,750</u>	<u>1,076,440</u>	<u>6,660,098</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(83,216)</u>	<u>(61,310)</u>	<u>32,476</u>	<u>(112,050)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	20,000	20,000
Proceeds from Sale of Capital Assets	24,000	-	-	24,000
Inception of Capital Lease	35,228	-	-	35,228
Transfers Out	(20,000)	-	-	(20,000)
<i>Total Other Financing Sources and Uses</i>	<u>39,228</u>	<u>-</u>	<u>20,000</u>	<u>59,228</u>
<i>Net Change in Fund Balances</i>	(43,988)	(61,310)	52,476	(52,822)
<i>Fund Balances at Beginning of Year</i>	<u>(61,506)</u>	<u>6,544</u>	<u>53,323</u>	<u>(1,639)</u>
<i>Fund Balances at End of Year</i>	<u>\$ (105,494)</u>	<u>\$ (54,766)</u>	<u>\$ 105,799</u>	<u>\$ (54,461)</u>

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

Perry-Hocking Educational Service Center
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (52,822)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Asset Additions	107,717	
Depreciation Expense	<u>(74,660)</u>	
		33,057

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the amounts of the loss on the disposals of capital assets and proceeds from the disposal of capital assets.

Loss on Disposal of Capital Assets	(34,816)	
Loss on Trade-in of Leased Capital Assets	(6,706)	
Proceeds on Disposal of Capital Assets	<u>(24,000)</u>	
		(65,522)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Intergovernmental	(1,263)	
Tuition and Fees	<u>(28,654)</u>	
		(29,917)

New capital lease obligations in the statmenet of revenues, expenditures, and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (35,228)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (17,955)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 43,143

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	18,419	
		<u>18,419</u>

Change in Net Assets of Governmental Activities **\$ (106,825)**

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

Perry-Hocking Educational Service Center
Statement of Net Assets - Governmental Activities
Internal Service Fund
June 30, 2008

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 243,121
<i>Total Assets</i>	<u>243,121</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>10,126</u>
<i>Total Liabilities</i>	<u>10,126</u>
NET ASSETS:	
Unrestricted	<u>232,995</u>
<i>Total Net Assets</i>	<u><u>\$ 232,995</u></u>

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

Perry-Hocking Educational Service Center
Statement of Revenues, Expenses and Changes in Fund Net Assets - Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Internal Service
OPERATING REVENUES:	
Charges for Services	\$ 832,284
<i>Total Operating Revenues</i>	832,284
OPERATING EXPENSES:	
Purchased Services	26,303
Claims	823,936
<i>Total Operating Expenses</i>	850,239
<i>Change in Net Assets</i>	(17,955)
<i>Net Assets at Beginning of Year</i>	250,950
<i>Net Assets at End of Year</i>	\$ 232,995

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

Perry-Hocking Educational Service Center
Statement of Cash Flows - Governmental Activities
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Internal Service
<i>Decrease in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 832,284
Cash Payments for Claims	(830,744)
Cash Payments for Purchased Services	(26,303)
<i>Net Cash Used by Operating Activities</i>	(24,763)
<i>Net Decrease in Cash and Cash Equivalents</i>	(24,763)
Cash and Cash Equivalents at Beginning of Year	267,884
Cash and Cash Equivalents at End of Year	\$ 243,121
<i>Reconciliation of Operating Income to Net Cash Used by Operating Activities</i>	
Operating Loss	\$ (17,955)
<i>Changes in Assets and Liabilities:</i>	
Decrease in Claims Payable	(6,808)
<i>Net Cash Used by Operating Activities</i>	\$ (24,763)

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

Perry-Hocking Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,809</u>
<i>Total Assets</i>	<u><u>\$ 2,809</u></u>
LIABILITIES:	
Undistributed Monies	<u>\$ 2,809</u>
<i>Total Liabilities</i>	<u><u>\$ 2,809</u></u>

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

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 – Reporting Entity

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

The Educational Service Center operates under a locally-elected Board of Education consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has two administrators, 69 certified teaching personnel, and 127 classified employees that provide services to 10,553 students from the local, exempted village, and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Educational Service Center, this includes general operations, preschool, adult/continuing instruction, and student-related activities.

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

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

The Educational Service Center serves as fiscal agent for the Ohio Department of Education for the Praxis III Regional Center in the Southeast Region for the fiscal year ended June 30, 2008. The Southeast Region includes Athens, Fairfield, Gallia, Hocking, Meigs, Perry, Vinton and Washington counties. The financial activity of these services is reflected in special revenue funds of the Educational Service Center.

Note 2 - Summary of Significant Accounting Policies

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

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

A. Basis of Presentation

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the Educational Service Center that are governmental and those that are classified as business-type activities. However, the Educational Service Center has no activities that are classified as business-type activities.

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

Fund Financial Statements During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds used by the Educational Service Center can be classified using three categories: governmental, proprietary, and fiduciary.

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

General Fund The General Fund is the operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

Public Preschool Special Revenue Fund The Public Preschool Special Revenue Fund accounts for monies received for preschool programs.

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Educational Service Center's fiduciary funds are agency funds, which account for resources held for other organizations and for employee flexible spending plans. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, tuition, grants, fees, and customer services.

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

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

E. Cash and Cash Equivalents

To improve cash management, cash received by the Educational Service Center is pooled. Money’s for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center’s records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During fiscal year 2008, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for at June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$23,303.

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

F. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

G. Interfund Activity

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

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for employees after ten years of service.

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

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

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

I. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Capital leases are recognized as a liability on the governmental fund financial statements when due.

J. Interfund Balances

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

K. Fund Balance Reserves

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

L. Net Assets

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

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

As of June 30, 2008, the Educational Service Center had \$15,290 in restricted net assets, none of which is restricted by enabling legislation.

M. Estimates

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

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 2 - Summary of Significant Accounting Policies (Continued)

N. Budgetary Process

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

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

O. Operating Revenues and Expenses

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

Note 3 - Deposits and Investments

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations or security 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;

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 3 - Deposits and Investments (Continued)

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. Bond and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of the State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this footnote and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Educational Service Center lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) of this footnote, or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Educational Service Center's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Educational Service Center's average portfolio.

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

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

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

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

As of June 30, 2008, the Educational Service Center's bank balance of \$661,313 is either covered by FDIC insurance or collateralized by the financial institutions' public entity pools in the manner described above.

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 3 - Deposits and Investments (Continued)

Investments The Educational Service Center's investments are listed as follows:

	<u>Uncategorized</u>	<u>Weighted Average Maturity (Yrs.)</u>
STAR Ohio	<u>\$ 470,106</u>	< 1 Year

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds with a maximum maturity of two years. The Treasurer cannot make investments which he/she does not reasonably believe can be held until the maturity date. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center's investment policy does not address credit risk beyond the requirements of the Ohio Revised Code.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Educational Service Center's investment policy addresses this risk by stating the Educational Service Center should normally seek to diversify its holdings of other investments by avoiding concentrations of specific issuers. 100% of the Educational Service Center's investment is with STAR Ohio.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Educational Service Center's securities are either insured and registered in the name of the Educational Service Center or at least registered in the name of the Educational Service Center. The Educational Service Center's investment policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

Note 4 – State Funding

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

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 4 – State Funding (Continued)

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

Note 5 - Receivables

Receivables at June 30, 2008, consisted of accounts, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

Major Funds:	
General Fund	\$ 97,297
Public Preschool Fund	18,325
Total Major Funds	<u>115,622</u>
Non-Major Special Revenue Funds:	
ABLE Fund	4,334
Drug Free Schools Fund	7,880
Handicapped Preschool Fund	1,000
Miscellaneous Federal Grants Fund	11,707
Total Non-Major Special Revenue Funds	<u>24,921</u>
Total All Funds	<u>\$ 140,543</u>

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Risk Management

A. Property and Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

During fiscal year 2008, the Educational Service Center contracted with the Ohio School Plan for property insurance. The types and amounts of coverage provided are as follows:

Property:		
Building	\$	294,192
Business Personal Property		75,000
Crime:		
Employee Dishonesty		10,000
Theft, Disappearance or Destruction		5,000
Inland Marine:		
Equipment		195,518

During fiscal year 2008, the Educational Service Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district and educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the OSP. (See Note 14)

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

General Liability:		
Each Occurrence	\$	1,000,000
Aggregate Limit		3,000,000
Products - Completed Operations Aggregate Limit		1,000,000
Personal and Advertising injury Limit - Each Offense		1,000,000
Fire Damage Limit - Any One Event		500,000
Excess Liability:		
Each Occurrence		1,000,000
Aggregate Limit		1,000,000
Employer's Liability:		
Each Occurrence		1,000,000
Disease - Each Employee		1,000,000
Disease - Policy Limit		1,000,000
Employee's Benefits Liability:		
Each Occurrence		1,000,000
Aggregate Limit		3,000,000

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Risk Management (Continued)

B. Workers' Compensation

For fiscal year 2008, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to members that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

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

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

The claims liability of \$10,126 reported in the internal service fund at June 30, 2008, is based upon an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Beginning of Year	Current Year Claims	Claims Payments	End of Year
2007	\$ 11,449	\$ 713,227	\$ 707,742	\$ 16,934
2008	16,934	823,936	830,744	10,126

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 7 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at June 30, 2007	Additions	Deletions	Balance at June 30, 2008
Capital Assets:				
Capital Assets not being Depreciated:				
Land	\$ 193,898	\$ -	\$ -	\$ 193,898
Construction in Progress	-	9,905	-	9,905
Total Capital Assets not being Depreciated	193,898	9,905	-	203,803
Depreciable Capital Assets:				
Buildings and Improvements	206,360	11,286	-	217,646
Furniture, Fixtures, and Equipment	590,263	86,526	(60,903)	615,886
Vehicles	16,706	-	-	16,706
Total Depreciable Capital Assets	813,329	97,812	(60,903)	850,238
Less Accumulated Depreciation:				
Buildings and Improvements	(20,952)	(8,576)	-	(29,528)
Furniture, Fixtures, and Equipment	(409,597)	(64,414)	26,087	(447,924)
Vehicles	(10,861)	(1,670)	-	(12,531)
Total Accumulated Depreciation	(441,410)	(74,660)	26,087	(489,983)
Total Capital Assets being Depreciated, Net	371,919	23,152	(34,816)	360,255
Capital Assets, Net	\$ 565,817	\$ 33,057	\$ (34,816)	\$ 564,058

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 913
Special	2,484
Adult/Continuing	227
Other	9,406
Support Services:	
Pupils	1,448
Instructional Staff	11,777
Administration	27,774
Fiscal	938
Operation and Maintenance of Plant	17,971
Central	1,722
Total Depreciation Expense	\$ 74,660

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Defined Benefit Pension Plans

A. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$139,615, \$133,752, and \$174,624, respectively; 54 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

The Educational Service Center contributed to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer 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% of earned compensation among the 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 Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 8 - Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

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

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

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

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

The Defined Benefit 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 Defined Benefit 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 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 Defined Benefit 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. The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$343,533, \$368,607, and \$376,973, respectively; 82% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 9 - Postemployment Benefits

A. State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to 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 cost 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 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14% employee contribution rate is the maximum rate established under Ohio law. Employer contributions used for health care benefits for 2008, 2007, and 2006 were \$24,538, \$26,329, and \$26,927, respectively.

B. School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For the fiscal years ended June 30, 2008, 2007, and 2006, the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent, respectively. For the Educational Service Center, contributions for the years ended June 30, 2008, 2007, and 2006, were \$9,174, \$6,497, and \$9,729, respectively, which equaled the required contributions for those years.

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 HMO's, PPO's, 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.

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 9 - Postemployment Benefits (Continued)

Health Care Plan (Continued)

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 401(h). 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. For the fiscal years ended June 30, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The Educational Service Center contributions for the years ended June 30, 2008, 2007 and 2006 were \$62,904, \$57,316, and \$64,134, 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 2008, the minimum compensation level was established at \$35,800.

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

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

Note 10- Employee Benefits

A. Insurance Benefits

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

Health insurance is provided by Medical Mutual of Ohio. Monthly premiums for this coverage are \$964 for family coverage and \$315 for single coverage. The Educational Service Center pays 90% of both family and single coverage premiums.

B. Compensated Absences

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

Perry-Hocking Educational Service Center

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 10- Employee Benefits (Continued)

B. Compensated Absences (Continued)

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

Note 11 – Capital Leases – Lessee Disclosure

During fiscal year 2008, the Educational Service Center traded in existing capitalized lease copiers for new copiers. Each lease meets the criteria of a capital lease as defined by the Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the fund financial statements. The capital leases payable have been recorded on the government-wide statements.

Future minimum lease payments as of June 30, 2008 are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 16,043
2010	16,043
2011	16,043
2012	16,043
2013	<u>14,706</u>
Total	78,878
Less: Amount Representing Interest	<u>(13,842)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 65,036</u>

The new copiers were capitalized in the amount of \$65,934. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2008 were \$43,143 in the governmental funds. Of this amount, \$12,437 was for principal payments on the new and old leases and \$30,706 was for the reduction of the old lease upon trade-in.

Property Under Capital Lease	\$ 65,934
Less: Accumulated Depreciation	<u>-</u>
Total June 30, 2008	<u>\$ 65,934</u>

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 12 - Long-Term Obligations

Changes in long-term obligations of the Educational Service Center during fiscal year 2008 were as follows:

	Principal Outstanding 06/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities:					
Capital Leases	\$ 42,245	\$ 65,934 *	\$ 43,143 *	\$ 65,036	\$ 11,247
Compensated Absences	232,436	214,017	232,436	214,017	18,157
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 274,681</u>	<u>\$ 279,951</u>	<u>\$ 275,579</u>	<u>\$ 279,053</u>	<u>\$ 29,404</u>

Additions and deductions will not agree to inception of capital lease proceeds and principal payments, respectively, in the financial statements because of a trade-in of leased copiers, which is described more fully in Note 11 to the basic financial statements.

Capital leases will be paid from the General Fund. Sick leave benefits will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, and the Public Preschool and Adult Basic Literacy Education Special Revenue Funds.

Note 13 - Jointly Governed Organizations

A. Southeast Ohio Voluntary Educational Consortium

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

SEOVEC is governed by a governing board which is selected by the members. Each member has one vote in all matters, and each member's control over budgeting and financing of SEOVEC is limited to its voting authority and any representation it may have on the governing board. The continued existence of SEOVEC is not dependent on the Educational Service Center's continued participation and no equity interest exists. SEOVEC has 28 participants consisting of 25 school districts and 3 educational service centers. During fiscal year 2008, the Educational Service Center paid \$6,261 to SEOVEC. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Robert Lindsey, CEO/Director, 221 North Columbus Road, Athens, Ohio 45701.

B. Tri-County Career Center

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

C. Mid-East Career and Technology Centers

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

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 13 - Jointly Governed Organizations (Continued)

D. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools consists of over one hundred school districts and educational service centers in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts and educational service centers within that County. The Coalition provides various services for school district and educational service center administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for member personnel. The Coalition is not dependent upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or a financial responsibility for the Coalition. The Educational Service Center paid the Coalition of Rural and Appalachian Schools \$60 for services provided during the year.

Note 14 - Insurance Purchasing Pool

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

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

B. Ohio School Plan

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

Note 15 - Contingencies

A. Grants

The Educational Service Center receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2008.

B. Litigation

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

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 16 – Interfund Transactions

Interfund Advances

Interfund balances at June 30, 2008, which are expected to be repaid during fiscal year 2009, are as follows:

Major Funds:	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 35,934	\$ -
Public Preschool Fund	-	5,085
Total Major Funds	35,934	5,085
Non-Major Funds:		
School Support Fund	-	7,211
Alternative School Fund	-	379
Miscellaneous State Grant Fund	-	417
ABLE Fund	-	87
Drug Free Schools Fund	-	7,880
Handicapped Preschool Fund	-	766
Miscellaneous Federal Grant Fund	-	14,109
Total Non-Major Funds	-	30,849
Total All Funds	<u>\$ 35,934</u>	<u>\$ 35,934</u>

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

Interfund Transfers

Transfers made during the period ended June 30, 2008 were as follows:

Major Fund:	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 20,000	\$ -
Non-Major Fund:		
Permanent Improvement	-	20,000
Total	<u>\$ 20,000</u>	<u>\$ 20,000</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

Perry-Hocking Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 17 – Accountability

At June 30, 2008, the Alternative School, ABLE, and Early Childhood Grant Special Revenue Funds had deficit fund balances of \$409, \$2,506, and \$51,034 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 18 – Subsequent Events

Effective with fiscal year 2009, the Educational Service Center will no longer serve as fiscal agent for the Ohio Department of Education for the Praxis III Regional Center in the Southeast Region.

Note 19 – Changes in Accounting Principles

For the fiscal year 2008, the Educational Service Center implemented GASB Statement No. 50, “Pension Disclosures— an amendment of GASB Statements No. 25 and No. 27,” and GASB Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The application of these new standards had no effect on the financial statements, nor did their implementation require a restatement of prior year balances.

Perry-Hocking Educational Service Center
Schedule of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
RECEIPTS:				
Intergovernmental	\$ 723,437	\$ 723,437	\$ 635,272	\$ (88,165)
Interest	22,000	22,000	23,303	1,303
Tuition and Fees	3,912,582	3,956,822	3,901,072	(55,750)
Gifts and Donations	-	-	1,715	1,715
Customer Sales and Services	132,600	163,100	165,674	2,574
Miscellaneous	350	15,211	15,219	8
Total Receipts	4,790,969	4,880,570	4,742,255	(138,315)
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	431,502	434,128	424,827	9,301
Special	895,699	901,151	881,843	19,308
Support Services:				
Pupils	928,217	933,867	913,858	20,009
Instructional Staff	1,494,196	1,503,725	1,471,079	32,646
Board of Education	36,745	36,969	36,177	792
Administration	673,034	677,130	662,622	14,508
Fiscal	171,586	172,631	168,932	3,699
Operation and Maintenance of Plant	100,860	101,474	99,300	2,174
Pupil Transportation	1,554	1,563	1,530	33
Central	122,222	122,966	120,331	2,635
Capital Outlay	1,742	1,753	1,715	38
Total Disbursements	4,857,357	4,887,357	4,782,214	105,143
Excess of Receipts Over (Under) Disbursements	(66,388)	(6,787)	(39,959)	(33,172)
OTHER FINANCING USES:				
Transfers Out	-	(20,000)	(20,000)	-
Total Other Financing Sources and Uses	-	(20,000)	(20,000)	-
Net Change in Fund Balance	(66,388)	(26,787)	(59,959)	(33,172)
Fund Balance at Beginning of Year	464,557	464,557	464,557	-
Prior Year Encumbrances Appropriated	5,576	5,576	5,576	-
Fund Balance at End of Year	\$ 403,745	\$ 443,346	\$ 410,174	\$ (33,172)

See accompanying notes to supplementary information.

Perry-Hocking Educational Service Center
Schedule of Receipts, Disbursements and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
PUBLIC PRESCHOOL FUND
For the Fiscal Year Ended June 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS:				
Intergovernmental	\$ 415,348	\$ 713,944	\$ 635,853	\$ (78,091)
Total Receipts	415,348	713,944	635,853	(78,091)
DISBURSEMENTS:				
Current:				
Instruction:				
Regular	210,560	345,245	312,674	32,571
Support Services:				
Pupils	26,119	42,826	38,786	4,040
Instructional Staff	97,038	159,108	144,098	15,010
Administration	51,382	84,249	76,301	7,948
Fiscal	15,138	24,822	22,480	2,342
Operation and Maintenance of Plant	50,415	82,662	74,864	7,798
Pupil Transportation	16,158	26,493	23,994	2,499
Total Disbursements	466,810	765,405	693,197	72,208
Net Change in Fund Balance	(51,462)	(51,461)	(57,344)	(5,883)
Fund Balance at Beginning of Year	50,813	50,813	50,813	-
Prior Year Encumbrances Appropriated	644	644	644	-
Fund Balance at End of Year	<u>\$ (5)</u>	<u>\$ (4)</u>	<u>\$ (5,887)</u>	<u>\$ (5,883)</u>

See accompanying notes to supplementary information.

Perry-Hocking Educational Service Center

*Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2008*

Note 1 – Budgetary Process

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

The Educational Service Center's 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 Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the 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 Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – for the General Fund and the Public Preschool Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

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

Perry-Hocking Educational Service Center

*Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2008*

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements/schedules for the General Fund and the Public Preschool Special Revenue Fund.

	Net Changes in Fund Balances	
	General	Public Preschool
GAAP Basis	\$ (43,988)	\$ (61,310)
Adjustments:		
Revenue Accruals	(68,437)	7,413
Expenditure Accruals	130,783	25,262
Inception of Capital Lease	(35,228)	-
Sale of Capital Assets	(24,000)	-
Encumbrances	(19,089)	(28,709)
Budget Basis	<u>\$ (59,959)</u>	<u>\$ (57,344)</u>

Perry-Hocking Educational Service Center
Perry County
Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Education				
<i>Direct Award</i>				
Fund for the Improvement of Education	U215XOSO146	84.215	\$ 216,116	\$ 216,116
<i>Passed through Ohio Department of Education</i>				
Adult Education State Grant Program	ABS1	84.002	66,279	65,809
Title I Grants to Local Agencies	C1ST	84.010	3,543	3,545
Safe and Drug Free Schools and Communities State Grants	DRS1	84.186	22,264	22,264
Special Education Preschool Grants	PGS1	84.173	30,545	32,374
Twenty-First Century Community Learning Centers	T1S1	84.287	226,540	225,705
Total United States Department of Education			565,287	565,813
United States Department of Health and Human Services				
<i>Passed through Administration for Children and Families, Department of Health and Human Services</i>				
Temporary Assistance for Needy Families	NA	93.558	92,377	46,502
Total United States Department of Health and Human Services			92,377	46,502
Total Federal Financial Assistance			<u>\$ 657,664</u>	<u>\$ 612,315</u>

NA - Not Available

See accompanying notes to the schedule of federal awards receipts and expenditures

Perry Hocking Educational Service Center
Notes to Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2008

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures includes the federal grant activity of the Perry Hocking Educational Service Center and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the Governing Board
Perry Hocking Educational Service Center
1605 Airport Road
New Lexington, Ohio 43764

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perry Hocking Educational Service Center, (the Center), as of and for the year ended June 30, 2008, and have issued our report thereon dated February 20, 2009, in which we indicate that the Center implemented GASB Statements No. 45 and No. 50. 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 auditing procedures for expressing our opinions on the basic financial statements, but do not opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

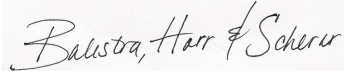
A material weakness is a significant deficiency, or combination of significant deficiencies, resulting in more than a remote likelihood that the Center's internal control will not prevent a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

February 20, 2009

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Members of the Governing Board
Perry Hocking Educational Service Center
1605 Airport Road
New Lexington, Ohio 43764

Compliance

We have audited the compliance of the Perry Hocking Educational Service Center, (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 are applicable to its major federal program for the year ended June 30, 2008. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 types of compliance requirements referred to above that could directly and materially effect on a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as 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 Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could directly and materially effect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

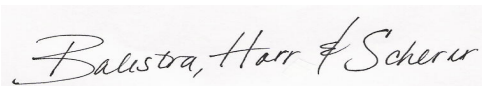
Internal Control Over Compliance (Continued)

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Center's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

This report is intended solely for the information and use of management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

February 20, 2009

PERRY- HOCKING EDUCATIONAL SERVICE CENTER
PERRY COUNTY
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. 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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant 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 Programs (list):	CFDA # 84.287 21 st Century Community Learning Centers
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

PERRY-HOCKING EDUCATIONAL SERVICE CENTER
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2008

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

PERRY HOCKING EDUCATIONAL SERVICE CENTER

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 14, 2009**