



Dave Yost • Auditor of State



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – June 30, 2011 .....	9
Statement of Activities - For the Fiscal Year Ended June 30, 2011 .....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds – June 30, 2011 .....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities – June 30, 2011 .....	12
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2011 .....	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities - For the Fiscal Year Ended June 30, 2011 .....	14
Statement of Fiduciary Net Assets – Fiduciary Funds – June 30, 2011 .....	15
Notes to the Basic Financial Statements .....	17
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2011 ...	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget (Non-GAAP Basis) and Actual – IDEA Fund – For the Fiscal Year Ended June 30, 2011 .....	38
Notes to the Supplementary Information .....	39
Schedule of Federal Awards Receipts and Expenditures – For the Fiscal Year Ended June 30, 2011 .....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	42
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i> .....	43
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	45
Schedule of Findings.....	47
Schedule of Prior Audit Findings.....	49

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Hardin County Educational Service Center  
Hardin County  
1211 West Lima Street  
Kenton, Ohio 43326

To the Board of Education:

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

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

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

As described in Note 17, during 2011, the School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2012, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The Budgetary Schedules for the General Fund and IDEA Fund, and the Schedule of Federal Awards Receipts and Expenditures that is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are not a required part of the basic financial statements. The Budgetary Schedules for the General Fund and IDEA Fund and the Schedule of Federal Awards Receipts and Expenditures are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 15, 2012

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

The discussion and analysis of Hardin County Educational Service Center's (the Center) financial performance provides an overall view of the Center's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$425,740.
- General revenues accounted for \$635,299 in revenue or 24.9% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,916,193 or 75.1% of total revenues of \$2,551,492.
- The Center had \$2,997,232 in expenses related to government activities; \$1,936,193 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$635,299 were not adequate to provide for these programs by \$425,740.

**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 Center as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole Center, presenting both an aggregate view of the 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 Center's two major funds, the General Fund and IDEA Fund, and all other non-major funds presented in total in one column. In the case of the Center, the General Fund and the IDEA Fund are by far the most significant funds.

**Reporting the Center as a Whole**

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

While this document contains the large number of funds used by the Center to provide programs and activities, the view of the Center as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

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

In the Statement of Net Assets and the Statement of Activities, governmental activities are shown.

**Governmental Activities** - Most of the Center's programs and services are reported here including instruction, support services, operation and maintenance of plant, central, and extracurricular activities.

**Reporting the Center's Most Significant Funds**

**Fund Financial Statements**

Fund financial statements provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the General Fund and the IDEA Fund. Information about the Center's major funds starts on page 13.

**Governmental Funds**

Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted into cash. The governmental fund statements provide a detailed *short-term view* of the Center's general government operations and the basic services it provides. Governmental fund information helps 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.

**Fiduciary Funds**

The Center acts in a trustee capacity as an agent for other entities. These activities are reported in Agency Funds in the Statement of Fiduciary Net Assets on page 15. These Agency Funds are presented separately from the Center's other financial statements since the assets cannot be used for the operations of the Center.



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**The Center as a Whole**

Recall that the Statement of Net Assets provides the perspective of the Center as a whole.

Table 1 provides a summary of the Center's net assets for 2011. Comparisons to fiscal year 2010 are made.

**Table 1  
Governmental Activities**

	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current and Other Assets	\$1,425,532	\$1,857,106
Capital Assets, Net	21,066	10,900
Total Assets	<u>1,446,598</u>	<u>1,868,006</u>
<b>Liabilities:</b>		
Current and Other Liabilities	445,388	448,439
Long-Term Liabilities	27,988	20,625
Total Liabilities	<u>473,376</u>	<u>469,064</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	21,066	10,900
Restricted	37,052	
Unrestricted	915,104	1,388,042
Total Net Assets	<u>\$ 973,222</u>	<u>\$1,398,942</u>

Equity in pooled cash and cash equivalents decreased \$315,818. Intergovernmental receivable increased \$173,299 while contract services receivable decreased \$293,548.

Table 2 shows the changes in net assets for fiscal year 2011. Comparisons to fiscal year 2010 are made.

**Table 2  
Change in Net Assets**

	<b>2011</b>	<b>2010</b>
<b>Program Revenues:</b>		
Charges for Services	\$1,199,110	\$1,646,534
Operating Grants and Contributions	717,083	721,382
<b>General Revenues:</b>		
Grants and Entitlements	507,598	503,182
Investment Earnings	979	1,290
Miscellaneous	126,722	74,476
Total Revenues	<u>2,551,492</u>	<u>2,946,864</u>
<b>Expenses:</b>		
<b>Program Expenses:</b>		
<b>Instruction:</b>		
Regular	100,723	141,033
Special	628,427	470,671

(Continued)

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Table 2  
Change in Net Assets  
(Continued)**

	2011	2010
<b>Expenses: (Continued)</b>		
<b>Support Services:</b>		
Pupils	1,035,236	990,007
Instructional Staff	124,220	234,428
Board of Education	14,548	19,510
Administration	218,819	193,681
Fiscal	170,326	151,646
Operational and Maintenance	12,513	22,432
Public Transportation	1,098	
Central	109,435	106,836
Extracurricular Activities	1,595	2,324
Intergovernmental	560,292	602,220
Total Expenses	<u>2,977,232</u>	<u>2,934,788</u>
Change in Net Assets	<u>(\$ 425,740)</u>	<u>\$ 12,076</u>

**Governmental Activities**

Support Services and intergovernmental expenditures comprised 75.5 percent of governmental program expenses, as the purpose of the Center is to provide services to the county schools. Instruction was 24.5 percent. Governmental Activity net assets decreased \$425,740.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 identifies the cost of these services supported by customer services and unrestricted State entitlements. Charges for services in the amount of \$1,199,110 accounted for 47% of the revenue, which financed operations. This statement is presented on page 12.

**Table 3  
Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program Expenses:</b>				
<b>Instruction:</b>				
Regular	\$ 100,723	\$ 26,692	\$ 141,033	\$ 27,088
Special	628,427	238,525	470,671	88,877
<b>Support Services:</b>				
Pupil	1,035,236	468,112	990,007	255,451
Instructional Staff	124,220	75,863	234,428	45,382
Board of Education	14,548	8,948	19,510	4,612
Administration	218,819	112,641	193,681	39,218
Fiscal	170,326	92,744	151,646	28,922
Operation and Maintenance of Plant	12,513	6,099	22,432	6,205
Public Transportation	1,098	(5,517)		
Central	109,435	53,229	106,836	27,238
Extracurricular Activities	1,595	977	2,324	569
Intergovernmental	560,292	(17,274)	602,220	43,310
Total Expenses	<u>\$2,977,232</u>	<u>\$1,061,039</u>	<u>\$2,934,788</u>	<u>\$566,872</u>

During 2011, program revenues covered 64% of the costs of services with the remainder covered by general revenues.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**The Center's Funds**

Information about the Center's major funds starts on page 11. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,884,514 and expenditures of \$2,890,035. The net change in Governmental Fund balance for the year was a decrease of \$95,521. This decrease did not meet the Center's obligations as a whole. These funds are accounted for using the modified accrual basis of accounting.

**General Fund** - The General Fund, the Center's largest major fund, had receipts of \$2,187,612 in 2011. Disbursements of the General Fund, totaled \$2,286,739 in 2011. The General Fund's cash balance decreased \$99,127 from 2010 to 2011, which was due to an increase in Special Instruction expenditures for special education-related services.

**IDEA Fund** – the net change in the fund balance for the IDEA Fund increase \$12,658 from 2010 to 2011.

**General Fund Budgeting Highlights**

The Center is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Center's Board adopts an annual revenue and expenditure budget for each of the Center's funds. During the course of fiscal year 2011 the Center amended the budget numerous times, which were considered routine. The Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. The most significant budgeted funds are the General Fund and the IDEA Fund.

For the General Fund, actual revenue was \$247,871 under the final budget estimate of \$2,354,400. The original appropriations of \$1,097,828 were increased to \$2,441,490 with \$2,277,648 of actual expenditures being made. The General Fund's ending unobligated cash balance was \$84,029 below the final budgeted amount.

For the IDEA Fund, actual revenue was \$204,644 below the final budget estimate of \$583,044. The final actual expenditures of \$540,644 were \$44,678 below the final appropriations of \$585,322. The Center's ending unobligated cash balance was \$159,966 below the final budgeted amount.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2011, the Center had \$21,066 (net of \$434,792 of accumulated depreciation) invested in furniture and equipment in governmental activities. Table 4 shows fiscal 2011 balances compared to 2010:

**Table 4  
Capital Assets as of June 30th  
(Net of Depreciation)**

	<b>Governmental Type Activities</b>	
	<b>2011</b>	<b>2010</b>
Furniture and Equipment	\$21,066	\$10,900
Total Capital Assets	\$21,066	\$10,900

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Debt**

At June 30, 2011 the Center had no debt outstanding.

**For the Future**

The Center net assets decrease this fiscal year. As the preceding information shows, the Center heavily depends on its contract service payments. The future is not without challenges. Thus management must diligently plan expenses, staying carefully within the Center's five-year plan. Additional revenues must not be treated as a windfall to expand programs, but as an opportunity to extend the time horizon of the five-year plan.

In conclusion, Hardin County Educational Service Center has committed itself to financial excellence for many years. In addition, the Center's system of budgeting and internal controls are well regarded. All of the Center's financial abilities will be needed to meet the challenges of the future.

**Contacting the Center's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the Center's finances and to show the Center's accountability for the money it receives. If you have questions about this report or need additional information contact Mandy France, Assistant Treasurer of Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326. Or e-mail at [francem@hardinesc.org](mailto:francem@hardinesc.org).

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Hardin Community School</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,023,770	\$105,567
<b>Receivables:</b>		
Intergovernmental	269,379	40,993
Contract Services	104,424	
Prepaid Items	27,959	
Capital Assets, Net of Accumulated Depreciation	21,066	99,795
Total Assets	1,446,598	246,355
<b>Liabilities:</b>		
Accrued Wages	324,049	
Accounts Payable	16,953	
Intergovernmental Payable	104,386	
<b>Long-Term Liabilities:</b>		
Due in more than one year	27,988	
Total Liabilities	473,376	
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	21,066	99,795
Restricted	37,052	62,490
Unrestricted	915,104	84,070
Total Net Assets	\$973,222	\$246,355

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u>	<u>Component</u>
		<u>Disbursements</u>	<u>Charges for</u>	<u>Operating</u>	
		<u>Services and Sales</u>	<u>Grants and</u>	<u>in Net Assets</u>	<u>Unit</u>
			<u>Contributions</u>	<u>Primary Government</u>	<u>Hardin Community</u>
				<u>Governmental</u>	<u>School</u>
				<u>Activities</u>	
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$100,723	\$20,223	\$53,808	(\$26,692)	
Special	628,427	323,756	66,146	(238,525)	
<b>Support Services:</b>					
Pupil	1,035,236	564,849	2,275	(468,112)	
Instructional Staff	124,220	44,069	4,288	(75,863)	
Board of Education	14,548	5,600		(8,948)	
Administration	218,819	93,178	13,000	(112,641)	
Fiscal	170,326	77,582		(92,744)	
Operation and Maintenance of Plant	12,513	6,414		(6,099)	
Public Transportation	1,098	6,615		5,517	
Central	109,435	56,206		(53,229)	
Extracurricular Activities	1,595	618		(977)	
Intergovernmental	560,292		577,566	17,274	
Total Governmental Activities	<u>\$2,977,232</u>	<u>\$1,199,110</u>	<u>\$717,083</u>	<u>(1,061,039)</u>	
<b>Component Unit:</b>					
Hardin Community School	<u>\$159,349</u>		<u>\$405,704</u>		<u>\$246,355</u>
<b>General Receipts:</b>					
Grants and Entitlements not Restricted to Specific Programs				507,598	
Unrestricted Investment Earnings				979	
Miscellaneous				126,722	
Total General Receipts				<u>635,299</u>	
Change in Net Assets				(425,740)	246,355
Net Assets - Beginning of Year				<u>1,398,962</u>	
Net Assets - End of Year				<u>\$973,222</u>	<u>\$246,355</u>

See accompanying notes to the basic financial statements.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General Fund</u>	<u>IDEA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,004,988		\$18,782	\$1,023,770
<b>Receivables:</b>				
Intergovernmental		\$204,644	64,735	269,379
Contract Services	104,424			104,424
Interfund	200,676			200,676
Prepaid Items	22,764	4,354	841	27,959
Total Assets	<u>1,332,852</u>	<u>208,998</u>	<u>84,358</u>	<u>1,626,208</u>
<b>Liabilities:</b>				
Accrued Wages and Benefits	229,917	77,699	16,433	324,049
Accounts Payable	16,714		239	16,953
Intergovernmental	86,636	15,047	2,703	104,386
Interfund		145,984	54,692	200,676
Deferred Revenue	61,381		20,181	81,562
Total Liabilities	<u>394,648</u>	<u>238,730</u>	<u>94,248</u>	<u>727,626</u>
<b>Fund Balances:</b>				
Restricted			18,781	18,781
Assigned	599,974			599,974
Unassigned	338,230	(29,732)	(28,671)	279,827
Total Fund Balances	<u>938,204</u>	<u>(29,732)</u>	<u>(9,890)</u>	<u>898,582</u>
Total Liabilities and Fund Balances	<u>\$1,332,852</u>	<u>\$208,998</u>	<u>\$84,358</u>	<u>\$1,626,208</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2011**

Total Governmental Fund Balances	\$898,582
----------------------------------	-----------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,066
---	--------

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	81,562
--	--------

Some liabilities are not due and payable in the current year and therefore are not reported in the funds:

Due in More than One Year - Compensated Absences	<u>(27,988)</u>
--	-----------------

Net Assets of Governmental Activities	<u><u>\$973,222</u></u>
---------------------------------------	-------------------------

*See accompanying notes to the basic financial statements.*



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>General Fund</u>	<u>IDEA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Intergovernmental	\$507,598	\$540,209	\$156,693	\$1,204,500
Investment Income	979			979
Tuition and Contract Services	1,552,313			1,552,313
Miscellaneous	126,722			126,722
Total Revenues	<u>2,187,612</u>	<u>540,209</u>	<u>156,693</u>	<u>2,884,514</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	46,275		54,109	100,384
Special	558,408		62,767	621,175
<b>Support Services:</b>				
Pupils	1,032,813		2,275	1,035,088
Instructional Staff	117,794		4,047	121,841
Board of Education	14,548			14,548
Administration	212,068		9,806	221,874
Fiscal	171,987			171,987
Operation and Maintenance	12,513			12,513
Transportation	9,475			9,475
Central	109,263			109,263
Extracurricular Activities	1,595			1,595
Intergovernmental		527,551	32,741	560,292
Total Expenditures	<u>2,286,739</u>	<u>527,551</u>	<u>165,745</u>	<u>2,980,035</u>
Revenue Over (Under) Expenditures	(99,127)	12,658	(9,052)	(95,521)
Fund Balances at Beginning of Year (Restated Note 19)	<u>1,037,331</u>	<u>(42,390)</u>	<u>(838)</u>	<u>994,103</u>
Fund Balances at End of Year	<u>\$938,204</u>	<u>(\$29,732)</u>	<u>(\$9,890)</u>	<u>\$898,582</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Total Governmental Funds (\$95,521)

Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlays	\$21,197	
Depreciation	(11,031)	10,166

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (333,022)

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures.

Compensated Absences	<u>(7,363)</u>	
----------------------	----------------	--

Change in Net Assets of Governmental Activities (\$425,740)

*See accompanying notes to the basic financial statements.*

HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Agency</u>
<b>Assets:</b>	
Equity In Pooled Cash and Cash Equivalents	<u>\$14,138</u>
<b>Liabilities:</b>	
Accounts Payable	216
Undistributed Monies	<u>13,922</u>
Total Liabilities	<u><u>\$14,138</u></u>

*See accompanying notes to the basic financial statements.*

**This page intentionally left blank.**

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Hardin County Educational Service Center (the Center) is located in Kenton, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Hardin-Northern, Ridgemont, Riverdale, and Upper Scioto Valley Local School Districts, Ada Exempted Village School District, and Kenton City School District. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental type activities. The Center does not have any business-type funds. The more significant of the Center's accounting policies are described below.

**A. Reporting Entity**

The Center operates under a locally elected board form of government consisting of five members elected at-large for staggered four year terms. The Center has twenty-seven support staff employees and thirty-eight certified teaching personnel that provide services to the local, city, and exempted village school districts.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Educational Service Center are not misleading.

**1. Primary Government:**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For the Center, this includes general operations and student related activities.

**2. Component Units:**

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organizations' governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes.

The component unit column on the government-wide financial statements identify the financial data of the Center's discretely presented component unit, Hardin Community School. It is reported separately to emphasize that it is legally separate from the Center.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**Hardin Community School:** Hardin Community School (School) is a legally separate not-for profit organization served by an appointed Board of Directors. In October 2010, the Hardin County Court of Common Pleas, Juvenile Division (Lifeworks Center), the Hardin Community School (formerly Striving to Engage Potential Academy), and the Hardin County Education Service Center (Sponsor), entered into a Memorandum of Understanding (MOU) toward establishing a mutual framework governing the respective organizational relationships, responsibilities, activities, and cooperation. The Lifeworks Center serves young people on court probation by academically assisting students with a mixture of education, vocational assistance, mentoring, mental health and drug and alcohol services so as to improve the possibility of success for the student, family and the Hardin County community. The School, through its Sponsor is the educational provider of a diverse education program. Its students are actively involved in learning activities as individual staff and faculty offer areas of expertise that are equally diverse; educating high risk as well as more traditional students, who are enrolled.

Therefore, the School is reflected as a component unit of the Center. The School operates on a fiscal year ending June 30. The School issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. The reports may be obtained by writing to Mandy France, Treasurer, 1211 West Lima Street, Kenton, Ohio 43326 or calling 419-674-2288.

**3. Jointly Governed Organizations**

The Center is associated with two jointly governed organizations, the Western Ohio Computer Organization and the Ohio-Hi Point Joint Vocational School. Information about these organizations is presented in Note 12.

**4. Insurance Pools:**

The Center is associated with three insurance pools: the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Note 13.

**5. Fiscal Agent Services:**

The Center serves as fiscal agent for the Hardin County Local Professional Development Committee (LPDC). Accordingly, this activity is presented as agency funds within the Center's financial statements.

**B. Basis Of Presentation**

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements include only governmental-type activities.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

**2. Fund Financial Statements**

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

Each major fund is presented in a single column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**C. Fund Accounting**

The Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Center functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Center are classified into two categories: governmental and fiduciary.

**1. Governmental Funds**

Governmental funds focus 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 be 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 General Fund and the IDEA Fund are the Center's only major funds:

**2. General Fund**

The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

**3. IDEA Fund**

This fund accounts for the Center's Special Education Grants to States federal grant program. This fund is used to account for federal grant receipts and expenditures on behalf of local public school districts in Hardin County.

The other governmental funds of the County account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**4. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**E. Basis Of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

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

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

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

**2. Deferred Revenue**

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



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**4. 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**F. Budgetary Process**

The Center, with the passing of House Bill 95, is no longer required to certify a budget to the State Department of Education. However, the Center's Board approves a budget for all funds on or before the start of the new fiscal year. Included in the budget are the estimated resources and appropriations for all funds. The Center amends the budget throughout the fiscal year as necessary. During the June meeting (near the end of June), the Board approves the final budget to closely coincide with actual expenditures.

**G. Cash And Investments**

To improve cash management, all cash received by the Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Investment contracts and money market investments that had a maturity of one year or less at the time of purchase is reported at cost or amortized cost.

During fiscal year 2011, 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 on June 30, 2011.

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 2011 amounted to \$979, which includes \$15 assigned from other funds.

For presentation on the financial statements, 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 Center are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**H. Prepaid Items**

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

**I. Capital Assets**

General capital assets are those that result from expenditures in the government 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 for equipment over \$1,000. Donated fixed assets are recorded at their fair market values as of the date received. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful life of the related capital assets. Depreciation is computed on furniture and equipment using the straight-line method over the useful life of five years.

**J. Compensated Absences**

Compensated absences of the Center consist of severance liability for sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Center and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least fifteen (15) years of service were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments. No vacation is allowed to be paid at termination or retirement as in the past, because the Board has enforced compliance with the Center's policy.

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

**K. Accrued Liabilities And Long-Term Obligations**

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, claims and judgments, the noncurrent portion of capital leases, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they are due for payment during the current year.

**L. Fund Balance**

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

**1. Non-spendable:**

The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amounts of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**2. Restricted:**

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

**3. Committed:**

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

**4. Assigned:**

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**5. Unassigned:**

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

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

**M. 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 Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center did not have any net assets restricted by enabling legislation.

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

**N. Interfund Transactions**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables. Interfund balances within governmental activities are eliminated on the statement of net assets. At June 30, 2011 the General Fund had an Interfund Receivable from the IDEA fund in the amount of \$145,984 to cover negative cash fund balances and non-major funds in the amount of \$54,692.

**O. Estimates**

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

**P. Extraordinary And Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**Q. Pass-Through Grant Activity**

The Center is the primary recipient of grants, which are passed through or spent on behalf of the school districts within the county. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2011, these funds included the Special Education Grants to States and Special Education Preschool Grants.

**3. DEPOSITS AND INVESTMENTS**

**A. Deposits:**

Statutes require the classification of monies held by the Center into three categories:

**Active Deposits:** those monies required to be kept in a "cash" or "near-cash" status for immediate use by the Center. Such monies must by law be maintained either as cash in the Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) account, or in money market deposit accounts.

**Inactive Deposits:** those monies not required for use within the current two-year period of designation of depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

**Interim Deposits:** 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.

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

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United State Treasury or any other obligation guaranteed as to principle and interest by the United States;
2. Bonds, notes, debentures, or other obligations of 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 the Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchased agreement must exceed the principal value of the agreements by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code;
6. The State Treasurer's Investment pool.

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 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classified deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial institutions, investments (including Repurchased Agreements and Reverse Repurchase Agreements").

**Deposits:** Custodial credit risk is the risk that in the event of bank failure, the Center will not be able to recover the deposits, or collateral securities that are in the possession of an outside party. At fiscal year end June 30, 2011, \$237,305 of the Center's bank balance of \$487,305 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

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

**B. Investments**

As of June 30, 2011, the carrying value of funds on deposit with STAR Ohio was \$610,385. STAR Ohio carries a credit rating of AAAM by Standard and Poor's. As a means of limiting its exposure to fair value losses arising from rising interest rates, and according to state law, the Center's investment policy limits investment portfolio maturities to two years or less. The Center's policy suggests but does not limit the amount that may be invested in any one issuer. The Center held 100% of its investments in STAR Ohio.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**4. STATE FUNDING**

The Center is funded by the State Department of Education from State resources and the school districts to which the Center provides services. The school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50 for all districts. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program.

The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by \$37.

This amount is provided from State resources. If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the Center approve, the cost can be increased. The portion that is in excess of the original funding calculation is shared by all of the local school districts served by the Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the local school districts approve or disapprove the additional apportionment.

**5. RECEIVABLES**

Receivables at June 30, 2011, consisted of accounts (billings for user charged services), and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<b>Receivables</b>	<b>Amount</b>
<b>Governmental Type Activities:</b>	
<b>Intergovernmental:</b>	
Public School Preschool	\$ 35,918
Academy Alt Challenge	4,358
IDEA-B	204,644
ECSE	20,416
Other Federal Grants	4,043
Total Intergovernmental Receivables	269,379
<b>Contract Services:</b>	
General	104,424
Total Governmental Type Activities	\$373,803

**6. CAPITAL ASSETS**

A summary in Capital Assets during fiscal year 2011 follows:

	<b>Balance 6/30/2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2011</b>
<b>Governmental Activities:</b>				
Furniture and Equipment	\$434,661	\$21,197		\$455,858
Totals at Historical Cost	434,661	21,197		455,858
<b>Less Accumulated Depreciation:</b>				
Furniture and Equipment	423,761	11,031		434,792
Total Accumulated Depreciation	423,761	11,031		434,792
Governmental Activities				
Capital Assets, Net	\$ 10,900	\$10,166	\$0	\$ 21,066

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**6. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular Instruction	\$ 339
Special	191
<b>Support Service:</b>	
Instructional Staff	2,379
Administration	6,995
Fiscal	158
Transportation	798
Central	171
Total Depreciation Expense	<u><u>\$11,031</u></u>

Depreciation is computed on furniture and equipment using the straight-line method over the useful life of five years.

**7. RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2011, the Center contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability insurance with a \$3,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is also protected by SORSA with a building and business personal property limit of \$504,775. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from last year.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

For the fiscal year ending June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the Center was required to contribute 14 percent of annual covered payroll. The allocation to pension benefits was 11.81%. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. The Center's required contribution for pension obligations to SERS for the fiscal year June 30, 2011, 2010 and 2009 was \$90,985, \$58,452 and \$39,966. 91.98% has been contributed for June 30, 2011 and 100% for June 30, 2010 and 2009. \$12,974 represents the unpaid contribution for the fiscal year ended 2011. The balance outstanding is reflected as an intergovernmental payable.



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**B. State Teachers Retirement Systems**

The Center contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

**Plan Options** – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the 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 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 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 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**Combined Plan Benefits** – The member allocates Member contributions, 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.

Eligible faculty of Ohio' public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

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 a 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 dependent. 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 these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the 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. Contributions rate are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The Center's required contribution for pension obligations for the fiscal years 2011, 2010, and 2009 was \$205,832, \$193,206 and \$142,614; 94.30 percent has been contributed for fiscal year June 30, 2011 and 100.0 has been contributed for fiscal year 2010 and 2009. \$17,416 represents the unpaid contribution for fiscal year 2011. The balance outstanding is reflected as an intergovernmental payable.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2011 Comprehensive Annual Financial Report will be available after December 31, 2010. Additional information or copies of STRS Ohio's 2011 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS**

**A. 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 post-employment 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 (ORC) 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 less of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 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 fiscal year 2010, the actuarially required allocation was .76%. The Center contributions for the years ended June 30, 2011, 2010, and 2009 were \$752, \$658, and \$3,297. 91.98 percent has been contributed for fiscal year June 30, 2011 and 100% has been contributed for fiscal years 2010, and 2009.

**Health Care Plan**

ORS 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.

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105 (e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was 1.43%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Center contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$10,131, \$27,400 and \$18,290, respectively. 91.98 percent has been contributed for the fiscal year 2011 and 100 percent has been contributed for the fiscal years 2010 and 2009.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

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 on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

**B. State Teachers Retirement System**

STRS Ohio administers a pension plan that is comprised of a Defined Benefit, a self-directed Defined Contribution, and a Combined Plan that is a hybrid of Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to the 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](http://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. The 14% employer contribution rate is the maximum rate establish under Ohio Law. The Center contributions for the fiscal years ended June 30, 2011, 2010, and 2009 were \$15,591, \$14,833, and \$10,879. 94.3 percent has been contributed for the fiscal year 2011 and 100 percent has been contributed for the fiscal years 2010 and 2009.

**10. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining sick leave components are derived from negotiated agreements and State laws.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 120 days for eligible personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days. Unused vacation upon termination or retirement is not paid.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**B. Health Care Benefits**

The Center provides life, accidental death and dismemberment, medical/surgical, dental, and vision insurance to most employees through Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

**11. LONG-TERM LIABILITIES**

The changes in the Center's long-term obligations during the fiscal year consist of the following:

	<b>Principal Outstanding 06/30/10</b>	<b>Additions</b>	<b>Reductions</b>	<b>Principal Outstanding 06/30/11</b>	<b>Amounts Due In One Year</b>
<b>Governmental Activities:</b>					
Compensated Absences	\$20,625	\$7,363		\$27,988	
Total Governmental Activities					
Long-Term Liabilities	\$20,625	\$7,363	\$0	\$27,988	\$0

**12. JOINTLY GOVERN ORGANIZATIONS**

**A. Western Ohio Computer Organization (WOCO)**

The Center is a participant in WOCO, which is a computer consortium. WOCO is an association of public Centers within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these districts supports WOCO, based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the Center does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation of the board. Financial information can be obtained from Donn Walls, Director, at 129 E. Court Street, Sidney, Ohio 45365.

**B. Ohio Hi-Point Joint Vocational School District**

The Ohio Hi-Point Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 11 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**13. INSURANCE POOLS**

**A. Hardin County School Employees' Health Welfare Benefit Plan and Trust**

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six school districts and the Center. The Trust is organized as a Voluntary Employee Benefit association under Section 501 (C) (9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each School District and the center decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 T.R. 50, Dola, Ohio 45835

**B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The Center participates in a group-rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three-member board of directors consisting of 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 GRP.

Each year, the participating school districts and the Center pay an enrollment fee to the GRP to cover the cost of administering the program.

**C. Schools of Ohio Risk Sharing Authority**

The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance pool created and administered under the authority of Ohio Revised Code 2744. The SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint self-insurance pool and to assist members, including the Center, to present and reduce losses and injuries to Center property and persons and program for maintaining adequate insurance protection and provides risk management programs and other administrative services.

Member contributions are based on actuarially determined rates and are allocated to a self-insurance pool (for claims and assessments), reinsurance coverage (for catastrophic losses), and a third party administrator (to handle claims and administrative expenses). The Third Party Administrator is Frank Gates Service Company. Financial information can be obtained from Ohio Schools Risk Sharing Authority, Inc., 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**14. ACCOUNTABILITY**

Four deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. At June 30, 2011, the following funds had deficit fund balances.

ECE Preschool	\$1,870
Hardin County Academy Alternative Challenge	2,825
ECSE	23,976
IDEA	29,732
	<u>\$60,157</u>

**15. COMMITMENTS**

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

Fund	Assigned	Restricted	Unassigned	Total
Major Governmental Funds:				
General	\$599,974		\$338,230	\$938,204
IDEA			(29,732)	(29,732)
Education Management Information System		\$ 3,000		3,000
OIP Training School Improvement		8,281		8,281
Child Abuse and Neglect Prevention Training		400		400
School Improvement Subsidy A - Title 1		7,100		7,100
Non-major Governmental Funds			(28,671)	(28,671)
	<u>\$599,974</u>	<u>\$18,781</u>	<u>\$279,827</u>	<u>\$898,582</u>

**16. CONTINGENCIES**

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

**17. CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in a change in total fund balance but only the classification of fund balance on the Center's financial statements.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**18. RELATED PARTY TRANSACTIONS**

During the fiscal year ended June 20, 2011, the Center provided the salaries and benefits for one teacher and one instructional assistant to the Hardin Community School. The value of these benefits was as follows:

Salaries	\$35,350
Benefits	8,556
Supplies	1,243
Training	570
Total	\$45,719

**19. RESTATEMENT OF BEGINNING FUND BALANCES**

In a prior year, the Center had recorded a federal grant in the amount of \$7,100 in the General Fund instead of a separate Special Revenue Fund. This grant was moved to a separate Special Revenue Fund at July 1, 2010. This adjustment had the following impact on fund balances as previously reported:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
June 30, 2010	\$1,044,431	(\$7,938)
Restatement	(7,100)	7,100
July 1, 2010	\$1,037,331	(\$ 838)



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Over (Under)</u>
<b>Revenues:</b>				
Intergovernmental	\$735,476	\$513,000	\$507,823	(\$5,177)
Earnings on Investments	591	1,200	979	(221)
Tuition and Contract Services	1,021,473	1,697,000	1,474,765	(222,235)
Miscellaneous Revenue	60,026	143,200	122,962	(20,238)
Total Revenues	<u>1,817,566</u>	<u>2,354,400</u>	<u>2,106,529</u>	<u>(247,871)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	29,587	64,869	41,841	23,028
Special	202,856	551,806	547,616	4,190
<b>Support Services:</b>				
Pupils	464,085	1,044,382	1,028,281	16,101
Instructional Staff	122,999	174,010	129,950	44,060
Board of Education	9,833	20,675	14,456	6,219
Administration	119,538	262,102	203,544	58,558
Fiscal	80,348	184,730	161,902	22,828
Operation and Maintenance	11,017	2,100	20,025	(17,925)
Pupil Transportation		9,800	9,535	265
Central	56,553	125,119	118,932	6,187
Extracurricular Activities	1,012	1,897	1,566	331
Total Expenditures	<u>1,097,828</u>	<u>2,441,490</u>	<u>2,277,648</u>	<u>163,842</u>
Excess of Revenues Over Expenditures	<u>719,738</u>	<u>(87,090)</u>	<u>(171,119)</u>	<u>(84,029)</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Receipts				
Operating Transfer In		89,726	89,726	
Operating Transfers Out		(89,726)	(89,726)	
Total Other Sources (Uses)				
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	719,738	(87,090)	(171,119)	(84,029)
Fund Balance at Beginning of Year	1,312,325	1,312,325	1,312,325	
Prior Year Encumbrances Appropriated	<u>23,842</u>	<u>23,842</u>	<u>23,842</u>	
Fund Balance at End of Year	<u>\$2,055,905</u>	<u>\$1,249,077</u>	<u>\$1,165,048</u>	<u>(\$84,029)</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
IDEA FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$583,044	\$583,044	\$378,400	(\$204,644)
Total Revenues	<u>583,044</u>	<u>583,044</u>	<u>378,400</u>	<u>(204,644)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Special	569,587	569,587	524,909	44,678
<b>Support Services:</b>				
Administration	15,735	15,735	15,735	
Total Expenditures	<u>585,322</u>	<u>585,322</u>	<u>540,644</u>	<u>44,678</u>
Excess of Revenues (Under) Expenditures	<u>(2,278)</u>	<u>(2,278)</u>	<u>(162,244)</u>	<u>(159,966)</u>
Fund Balance at Beginning of Year	2,278	2,278	2,278	
Prior Year Encumbrances Appropriated				
Fund Balance at End of Year	<u>\$0</u>	<u>\$0</u>	<u>(\$159,966)</u>	<u>(\$159,966)</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**BUDGETARY PROCESS**

The Center, with the passing of House Bill 95, is no longer required to certify a budget to the State Department of Education. However, the Center's Board approves a budget for all funds on or before the start of the new fiscal year. Included in the budget are the estimated resources and appropriations for all funds. The Center amends the budget throughout the fiscal year as required. During the June meeting (near the end of June), the Board approves the final budget to closely coincide with actual expenditures.

**BUDGETARY BASIS OF ACCOUNTING**

While the Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for each major governmental fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the general fund and the IDEA fund.

	<u><b>General</b></u>	<u><b>IDEA</b></u>
Net Change in Fund Balance:		
Budget Basis	(\$171,119)	(\$162,244)
Adjustments:		
Revenue:		
Accrued FY 2010, Received In Cash FY 2011	97,172	(42,835)
Accrued FY 2011, Not yet Received In Cash	(16,089)	204,644
Expenditure accruals		
Accrued FY 2011, Not yet Paid In Cash	(251,371)	(88,390)
Accrued FY 2010, Paid In Cash FY 2011	201,664	85,748
Encumbrances	40,616	15,735
GAAP Basis	<u>(\$ 99,127)</u>	<u>\$ 12,658</u>

**This page intentionally left blank.**

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>(Passed through Ohio Department of Education)</i>			
Special Education Cluster:			
Special Education Grants to States	84.027	\$378,400	\$524,910
Special Education Preschool Grants	84.173	17,652	20,139
ARRA Special Education Preschool Grants - Recovery Act	84.392	<u>2,981</u>	<u>13,935</u>
Total Special Education Cluster		<u>399,033</u>	<u>558,984</u>
Total United States Department of Education		<u>399,033</u>	<u>558,984</u>
Total Federal Financial Assistance		<u><u>\$399,033</u></u>	<u><u>\$558,984</u></u>

*The accompanying notes to this schedule are an integral part of this schedule.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Hardin County Educational Service Center's (the Center's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – FEDERAL AWARDS ADMINISTERED FOR OTHER GOVERNMENTS**

The Center applies for and administers grants on behalf of member school districts. The Center reports these grants on their Schedule of Federal Awards Receipts and Expenditures and they are subject to audit during the Center's annual audit according to the Single Audit Act (A-133). Awards which were reported by the Center which benefit member districts are as follows:

<b>District</b>	<b>FY 11 Award Amount IDEA Part B</b>	<b>FY 11 Award Amount IDEA Preschool</b>
Hardin Northern Local School District	\$ 88,061	\$ 2,670
Ridgemont Local School District	116,290	6,287
Riverdale Local School District	184,742	1,881
Upper Scioto Valley Local School District	151,117	4,737
Ada Exempted Village School District		2,664
	\$540,210	\$18,239



# Dave Yost • Auditor of State

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

Hardin County Educational Service Center  
Hardin County  
1211 West Lima Street  
Kenton, Ohio 43326

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the Hardin County Educational Service Center, Hardin County, (the Center) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Government's basic financial statements and have issued our report thereon dated February 15, 2012, wherein we noted the Center adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

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

We also noted certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated February 15, 2012.

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Center's response and, accordingly, we express no opinion on it.

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

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

**Dave Yost**  
Auditor of State

February 15, 2012





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Hardin County Educational Service Center  
Hardin County  
1211 West Lima Street  
Kenton, Ohio 43326

To the Board of Education:

### Compliance

We have audited the compliance of the Hardin County 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 could directly and materially affect Hardin County Educational Service Center's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Center's compliance based on our audit.

The Center's basic financial statements include the operations of the Hardin Community School, which received \$198,205 in federal awards which is not included in the Center's Schedule of Federal Awards Receipts and Expenditures for the fiscal year ended June 30, 2011. Our audit of Federal awards, described below, did not include the operations of the Hardin Community School because it is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the fiscal year ended June 30, 2011, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, the Hardin County Educational Service Center complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2011.

### Internal Control Over Compliance

The Center's management 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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the Center's management in a separate letter dated February 15, 2012.

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 15, 2012

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: Special Education Grants to States - CFDA #84.027 Special Education Preschool Grants - CFDA #84.173 ARRA Special Education Preschool Grants, Recovery Act - CFDA 84.392
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-01**

**Material Weakness**

**Accuracy of Financial Reporting**

The Center should have procedures and controls in place to help assure the accuracy of the annual financial statements. The Center's financial statements had the following errors:

- The Net Assets Invested in Capital Assets reported on the Statement of Net Assets was understated by \$20,312.
- Restricted Net Assets were overstated by \$482,082 due to inaccurate reporting of ending fund balances at June 30th.
- The General Fund Contract Services Receivable and Deferred Revenue were overstated by \$150,991 due to the inclusion of account balances owed by various participating School Districts that had been paid by June 30th.
- The Center received a \$39,070 payment for contract services in July 2011, which is within the 60 day available period. The receipt was reported as deferred revenue on the financial statements instead of contract services revenue, which caused deferred revenue for the General Fund to be overstated and contract services revenue to be understated.
- The Assigned Fund Balance within the General Fund was understated by \$576,075 due to the exclusion of the various special cost centers intended to be used for specific purposes according to Board motions.
- The Center received a \$204,644 grant payment for the IDEA grant in August 2011, which is within the 60 day available period. The receipt was reported as deferred revenue on the financial statements instead of intergovernmental revenue, which caused deferred revenue for the IDEA fund to be overstated and intergovernmental revenue to be understated.
- The IDEA Fund and the Other Governmental Fund restricted fund balances were overstated by \$15,735 and \$2,520, respectively, due to the inclusion of the encumbrances outstanding at June 30, 2011. According to GASB 54, these encumbrances should be reported as part of the unassigned fund balance since these funds had a negative fund balance at June 30th.
- The Statement of Fiduciary Net Assets did not balance due to the exclusion of \$216 that should have been reported as Accounts Payable.
- Accrued Wages and the corresponding expenditures were overstated by \$38,834 in the General Fund, \$17,391 in the IDEA Fund, \$3,936 in the remaining funds. The Accrued Wages reported on the Statement of Net Assets was overstated by \$60,161.

The adjustments are reflected on the accompanying financial statements. The Treasurer should review the compiled financial statements for proper posting and use due care in preparation of the annual reports to provide for proper and accurate presentation of the Center's financial activity.

**OFFICIALS' RESPONSE:**

The Treasurer has been on medical leave since August 17, 2011. Due to this unforeseen circumstance, the accuracy of financial reporting will continue into the current fiscal year of 2011-2012. The Acting Treasurer is working with the department supervisors to implement stronger purchasing procedures to assist with fiscal yearend reporting. The Acting Treasurer will then work with the independent accounting firm that will compile the financial statements to insure accuracy of reporting.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Significant Deficiency -- Assets, liabilities, revenues and expenditures were not properly classified on the financial statements.	No	Repeated as a Material Weakness
2010-002	<b>34 CFR 300.320</b> – Incomplete IEP's.	No	Repeated in Letter Management

**This page intentionally left blank.**



# Dave Yost • Auditor of State

HARDIN COUNTY EDUCATIONAL SERVICE CENTER

HARDIN 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  
MARCH 27, 2012