



Mary Taylor, CPA  
Auditor of State



**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER  
CLINTON COUNTY**

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**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER  
CLINTON COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Southern Ohio Educational Service Center  
Clinton County  
3321 Airborne Rd.  
Wilmington, Ohio 45177

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Ohio Educational Service Center, Clinton County, Ohio (the Center), as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Southern Ohio Educational Service Center, Clinton County, Ohio, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2009, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The federal awards receipt and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 17, 2009

**Southern Ohio Educational Service Center  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
(Unaudited)**

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

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities decreased \$44,668 which represents a 1.5% decrease from 2007.
- General revenues accounted for \$1,032,914 in revenue or 24.5% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,178,602 or 75.5% of total revenues of \$4,211,516 .
- The Center had \$4,256,184 in expenses related to governmental activities; \$3,178,602 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,032,914 were also used to provide for these programs.

**Overview of the Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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 most significant funds with all other nonmajor funds presented in total in one column. The General Fund and the Other Grants Fund are the major funds of the Center.

**Government-wide Financial Statements**

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 2008?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the 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 has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the Center presents:

- Governmental Activities – Most of the Center's programs and services are reported here including instruction, support services and extracurricular activities.

### **Fund Financial Statements**

The analysis of the Center's major funds is presented in the Fund Financial Statements. Fund financial reports 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.

**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 to cash. The governmental fund statements provide a detailed *short-term view* of the Center's general government operations and the basic services it provides. Governmental fund information helps 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.

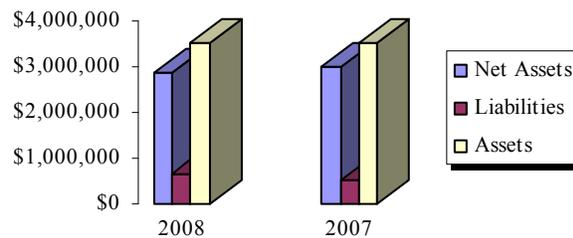
**Fiduciary Funds** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Center's own programs.

## The Center as a Whole

As stated previously, the Statement of Net Assets looks at the Center as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1  
Net Assets

	Governmental Activities	
	2008	2007
<b>Assets:</b>		
Current and Other Assets	\$3,098,790	\$3,092,484
Capital Assets	438,613	444,820
<b>Total Assets</b>	<b>3,537,403</b>	<b>3,537,304</b>
<b>Liabilities:</b>		
Other Liabilities	247,062	212,759
Long-Term Liabilities	322,042	311,578
<b>Total Liabilities</b>	<b>569,104</b>	<b>524,337</b>
<b>Net Assets:</b>		
Invested in Capital Assets	438,613	444,820
Restricted	293,980	498,131
Unrestricted	2,235,706	2,070,016
<b>Total Net Assets</b>	<b>\$2,968,299</b>	<b>\$3,012,967</b>



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$2,968,299 .

At year-end, capital assets represented 12% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2008, was \$438,613 . These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$293,980 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Total Net Assets remained relatively consistent compared to 2007.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2  
Changes in Net Assets

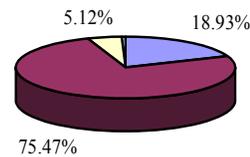
	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues		
Charges for Services	\$2,612,852	\$2,165,368
Operating Grants, Contributions	565,750	799,220
General Revenues:		
Grants and Entitlements	797,386	867,875
Other	235,528	252,879
Total Revenues	<u>4,211,516</u>	<u>4,085,342</u>
Program Expenses:		
Instruction	1,250,267	903,946
Support Services:		
Pupil and Instructional Staff	1,542,950	1,617,846
School Administrative, General		
Administration, Fiscal and Business	876,784	706,327
Operations and Maintenance	61,171	112,599
Central	512,059	323,387
Extracurricular Activities	12,953	14,967
Total Program Expenses	<u>4,256,184</u>	<u>3,679,072</u>
Change in Net Assets	(44,668)	406,270
Net Assets Beginning of Year	<u>3,012,967</u>	<u>2,606,697</u>
Net Assets End of Year	<u>\$2,968,299</u>	<u>\$3,012,967</u>

The Center revenues are mainly from three sources. Charges for services, operating grants and contributions and grants and entitlements comprised 93.8% of the Center's revenues for governmental activities.

Instruction comprises 29.4% of governmental program expenses. Support services expenses were 70.3% of governmental program expenses. All other expenses were 0.3%.

Charges for services and Operating Grants made up 75% of revenues for governmental activities for the Center in 2008. The Center's reliance upon charges for services and operating grants is demonstrated by the following graph:

Revenue Sources	2008	Percent of Total
General Grants	\$797,386	18.93%
Program Revenues	3,178,602	75.47%
Investment Earnings	215,758	5.12%
Other Revenues	19,770	0.47%
	<u>\$4,211,516</u>	<u>100.00%</u>



Revenues in total remained consistent in 2008 as compared to 2007. Total instruction expenses increased mainly due to an increase in personnel costs and general inflationary costs.

### Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. Instruction increased as a result of the ESC paying an instruction service contract to school districts for use of their teachers relating to the dual credit grant, hiring an additional special education supervisor, and an overall increase in wages and benefits. Charges for services increased as a result of the ESC raising their fees to cover the additional instruction expenses incurred during the year.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$1,250,267	\$903,946	\$148,091	\$297,865
Support Services:				
Pupil and Instructional Staff	1,542,950	1,617,846	(318,977)	(165,820)
School Administrative, General Administration, Fiscal and Business	876,784	706,327	(447,473)	(595,387)
Operations and Maintenance	61,171	112,599	(61,171)	(91,019)
Central	512,059	323,387	(400,832)	(164,036)
Extracurricular Activities	12,953	14,967	2,780	3,913
Total Expenses	<u>\$4,256,184</u>	<u>\$3,679,072</u>	<u>(\$1,077,582)</u>	<u>(\$714,484)</u>

## The Center's Funds

The Center has two major governmental funds: the General Fund and the Parent Mentor Fund. Assets of the general fund comprise \$2,765,262 (88%) and assets the parent mentor fund comprise \$35,382 (1%) of the total \$3,123,790 governmental funds assets.

**General Fund:** Fund balance at June 30, 2008 was \$2,541,036 including \$2,385,732 of unreserved balance. The primary reason for the increase in fund balance was a result of an increase in the Center's charges for services revenue and investment earnings revenue.

**Parent Mentor Fund:** Fund balance at June 30, 2008 was \$1,251 including \$906 of unreserved balance. This is the first fiscal year the fund was set up.

## General Fund Budgeting Highlights

The Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2008, the Center amended its general fund budget. The Center uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. During the course of the year, the Center revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, original budgeted revenues were \$3,794,052 and final budgeted revenues were \$3,682,663. Original budgeted expenditures were \$4,655,802 and final budgeted expenditures were \$4,452,645. Actual ending fund balance was \$1,043,444 greater than the final budgeted fund balance.

## Capital Assets and Debt Administration

### Capital Assets

At the fiscal year end 2008, the Center had \$438,613 invested in land, buildings and improvements and equipment. Table 4 shows fiscal 2008 balances as compared to 2007:

Table 4  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	2008	2007
Land	\$31,490	\$31,490
Buildings and Improvements	378,673	391,626
Equipment	28,450	21,704
Total Net Capital Assets	<u>\$438,613</u>	<u>\$444,820</u>

Capital assets decreased in fiscal year 2008 due to the recognition of depreciation, additions and deletions.

See note 6 to the basic financial statements for further details on the Center's capital assets.

### ***Debt***

At June 30, 2008, the Center had no outstanding debt obligations.

### **For the Future**

The Center relies heavily on charges for services and intergovernmental revenues. This scenario requires management to plan carefully and prudently to provide the resources to meet needs over the next several years. Financially, the future of the Center is not without challenges. Management must diligently plan future expenditures. All of the Center's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the Center's finances, the Center's management is confident that the Center can continue to provide quality services to other organizations in the future.

### **Contacting the Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 financial information, contact the Treasurer's Office at Southern Ohio Educational Service Center, 3321 Airborne Road, Wilmington, Ohio 45177.

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Southern Ohio Educational Service Center  
Statement of Net Assets  
June 30, 2008

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	\$2,866,587
Receivables:	
Accounts	53,025
Interest	34,527
Intergovernmental	144,651
Nondepreciable Capital Assets	31,490
Depreciable Capital Assets, Net	<u>407,123</u>
 Total Assets	 <u>3,537,403</u>
Liabilities:	
Accounts Payable	63,803
Accrued Wages and Benefits	183,259
Long-Term Liabilities:	
Due Within One Year	38,168
Due In More Than One Year	<u>283,874</u>
 Total Liabilities	 <u>569,104</u>
Net Assets:	
Invested in Capital Assets	438,613
Restricted for:	
Special Revenue	293,980
Unrestricted	<u>2,235,706</u>
 Total Net Assets	 <u><u>\$2,968,299</u></u>

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
Statement of Activities  
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$611,892	\$301,013	\$333,132	\$22,253
Special	638,375	645,236	118,977	125,838
Support Services:				
Pupil	336,731	285,216	24,637	(26,878)
Instructional Staff	1,206,219	831,116	83,004	(292,099)
General Administration	26,950	0	0	(26,950)
School Administration	602,894	261,708	0	(341,186)
Fiscal	246,940	167,603	0	(79,337)
Operations and Maintenance	61,171	0	0	(61,171)
Central	512,059	105,227	6,000	(400,832)
Extracurricular Activities	12,953	15,733	0	2,780
Total Governmental Activities	<u>\$4,256,184</u>	<u>\$2,612,852</u>	<u>\$565,750</u>	<u>(1,077,582)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				797,386
Investment Earnings				215,758
Other Revenues				19,770
Total General Revenues				<u>1,032,914</u>
Change in Net Assets				(44,668)
Net Assets Beginning of Year				<u>3,012,967</u>
Net Assets End of Year				<u><u>\$2,968,299</u></u>

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
 Balance Sheet  
 Governmental Funds  
 June 30, 2008

	General	Parent Mentor	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$2,652,710	\$22,327	\$191,550	\$2,866,587
Receivables:				
Accounts	53,025	0	0	53,025
Interest	34,527	0	0	34,527
Intergovernmental	0	13,055	131,596	144,651
Interfund	25,000	0	0	25,000
<b>Total Assets</b>	<b>2,765,262</b>	<b>35,382</b>	<b>323,146</b>	<b>3,123,790</b>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	24,434	9,131	30,238	63,803
Accrued Wages and Benefits	183,259	0	0	183,259
Interfund Payable	0	25,000	0	25,000
Deferred Revenue	16,533	0	0	16,533
<b>Total Liabilities</b>	<b>224,226</b>	<b>34,131</b>	<b>30,238</b>	<b>288,595</b>
Fund Balances:				
Reserved for Encumbrances	155,304	345	126,257	281,906
Unreserved, Undesignated, Reported in:				
General Fund	2,385,732	0	0	2,385,732
Special Revenue Funds	0	906	166,651	167,557
<b>Total Fund Balances</b>	<b>2,541,036</b>	<b>1,251</b>	<b>292,908</b>	<b>2,835,195</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,765,262</b>	<b>\$35,382</b>	<b>\$323,146</b>	<b>\$3,123,790</b>

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
Reconciliation of Total Governmental Fund Balance to  
Net Assets of Governmental Activities  
June 30, 2008

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Total Governmental Fund Balance \$2,835,195

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

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 438,613

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

Interest 16,533

Some liabilities reported in the statement of net assets do not  
require the use of current financial resources and therefore  
are not reported as liabilities in governmental funds.

Compensated Absences (322,042)

Net Assets of Governmental Activities \$2,968,299

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008

	General	Parent Mentor	Other Governmental Funds	Total Governmental Funds
Revenues:				
Charges for Educational Services	\$2,070,747	\$0	\$0	\$2,070,747
Charges for Non-Educational Services	289,441	0	0	289,441
Investment Earnings	221,125	0	0	221,125
Intergovernmental	1,231,897	24,637	341,696	1,598,230
Other Revenues	33,164	0	9,141	42,305
<b>Total Revenues</b>	<b>3,846,374</b>	<b>24,637</b>	<b>350,837</b>	<b>4,221,848</b>
Expenditures:				
Current:				
Instruction:				
Regular	298,303	0	310,201	608,504
Special	648,660	0	0	648,660
Support Services:				
Pupil	309,812	23,386	0	333,198
Instructional Staff	1,127,508	0	92,692	1,220,200
General Administration	26,950	0	0	26,950
School Administration	563,990	0	3,292	567,282
Fiscal	247,028	0	9,888	256,916
Operations and Maintenance	60,183	0	0	60,183
Central	369,745	0	139,987	509,732
Extracurricular Activities	12,953	0	0	12,953
<b>Total Expenditures</b>	<b>3,665,132</b>	<b>23,386</b>	<b>556,060</b>	<b>4,244,578</b>
Excess of Revenues Over (Under) Expenditures	181,242	1,251	(205,223)	(22,730)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	100	0	0	100
<b>Total Other Financing Sources (Uses)</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>100</b>
Net Change in Fund Balance	181,342	1,251	(205,223)	(22,630)
Fund Balance Beginning of Year	2,359,694	0	498,131	2,857,825
<b>Fund Balance End of Year</b>	<b>\$2,541,036</b>	<b>\$1,251</b>	<b>\$292,908</b>	<b>\$2,835,195</b>

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2008

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Net Change in Fund Balance - Total Governmental Funds ( \$22,630)

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

Governmental funds report capital asset additions as expenditures.  
 However, in the statement of activities, the cost of those assets is  
 allocated over their estimated useful lives as depreciation  
 expense. This is the amount of the difference between capital  
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	\$19,540	
Depreciation Expense	<u>(20,682)</u>	(1,142)

Governmental funds only report the disposal of assets to the  
 extent proceeds are received from the sale. In the statement  
 of activities, a gain or loss is reported for each disposal. The  
 amount of the proceeds must be removed and the gain or loss  
 on the disposal of capital assets must be recognized. This is the  
 amount of the difference between the proceeds and the gain or loss. (5,065)

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

Interest	(5,367)
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Some expenses reported in the statement of activities do not require the  
 use of current financial resources and therefore are not reported as  
 expenditures in governmental funds.

Compensated Absences	<u>(10,464)</u>
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Change in Net Assets of Governmental Activities	<u><u>(\$44,668)</u></u>
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See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

	Private Purpose Trust	Investment Trust	Agency
Assets:			
Equity in Pooled Cash and Investments	\$0	\$1,363,053	\$15,369
Restricted Equity in Pooled Cash and Investments	968,392	0	0
Receivables:			
Interest	5,981	0	0
Total Assets	<u>974,373</u>	<u>1,363,053</u>	<u>\$15,369</u>
Liabilities:			
Other Liabilities	<u>0</u>	<u>0</u>	<u>15,369</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>\$15,369</u>
Net Assets:			
Nonexpendable	600,000	0	
Expendable	368,392	0	
Held in Trust	<u>5,981</u>	<u>1,363,053</u>	
Total Net Assets	<u>\$974,373</u>	<u>\$1,363,053</u>	

See accompanying notes to the basic financial statements

Southern Ohio Educational Service Center  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2008

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	Private Purpose Trust	Investment Trust
Additions:		
Investment Earnings	\$41,484	\$4,757
Total Additions	41,484	4,757
Deductions:		
Capital Transactions	0	314,549
Other	38,076	0
Total Deductions	38,076	314,549
Change in Net Assets	3,408	(309,792)
Net Assets Beginning of Year	970,965	1,672,845
Net Assets End of Year	<u>\$974,373</u>	<u>\$1,363,053</u>

See accompanying notes to the basic financial statements

**Southern Ohio Educational Service Center  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

The Southern Ohio Educational Service Center Governing Board (referred to as "Center") organized on July 1, 1997, and operates under current standards prescribed by the Ohio State Board of Education as provided in 3311.053 of the Ohio Revised Code for county educational service centers.

The Center was formerly known as the Clinton-Fayette-Highland Educational Service District after the merger of the Clinton County, Fayette County and the Highland County educational service centers. Effective July 1, 2005, as approved by the governing board, the Center became known as the Southern Ohio Educational Service Center after the expansion of their service to include Adams County school districts. This was a name change only, and did not change the organizational structure or service provided by the Center. The Governing Board is made up of nine elected board members. The elected governing board can, at the January organizational meeting, appoint up to 8 additional members to serve on the governing board for a maximum of 17 members. The resolution to merge explains this issue in more detail.

This Center operates the following office facilities--the Central Board Office and the Clinton County Educational Service Center at 3321 Airborne Road, Wilmington, Ohio and the Highland County Educational Service Center at 135 North High Street, Hillsboro, Ohio. The Fayette County services are provided either from staff at the central office or through a service contract with the Miami Trace Local School District, Washington C.H., Ohio.

The Center employs 67 non-certified, 68 certificated and 2 administrative employees to provide service to the eight local school districts in Clinton County (Blanchester, Clinton-Massie, East Clinton), Fayette County (Miami Trace), Highland County (Bright, Fairfield, Lynchburg-Clay), Adams County (Adams County/Ohio Valley), the 3 city school districts of Hillsboro, Washington C.H., and Wilmington, the 1 exempted village school district of Greenfield, and the Laurel Oaks Career Development Center, as an educational service center as well as the school districts in the 5-county area served by the Hopewell Center.

The Center provides fiscal agent services to the following organizations: Hopewell Center, 5350 West New Market Road, Hillsboro, Ohio; DARE, through the Clinton County Sheriff, Wilmington, Ohio; and P-16 Council, Hillsboro, Ohio. The Hopewell Center is accounted for as an investment trust fund while the other funds with fiscal agent relationships are reported as agency funds for GAAP purposes. The Center also provides fiscal agent services to the Clinton County Alternative School. Participation fees and tuition are included within the General Fund. Grant activity is included within the Special Revenue Fund.

## **REPORTING ENTITY**

The Center reporting entity is comprised of the primary government. The primary government of the Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations, preschool, teacher development, gifted, work-study, special education, alternative school, media center cooperative, technology, speech therapy, psychology, social work, and multi-handicap activities and programs.

The Hopewell Center is a separate agency that serves the school districts in Adams, Brown, Clinton, Fayette, and Highland counties through cooperative agreements with regard to special education mandates established by the State of Ohio and State and Federal funding. The Hopewell Center has an Advisory Board made up of superintendents from each of the participating school districts including this district. The Center is the fiscal agent for the Hopewell Center but is not financially accountable for their operations nor are the entities fiscally dependent on the Center. The Hopewell Center is accounted for as an investment trust.

The Center is associated with seven organizations, which are defined as a jointly governed organization, a group purchasing pool, and a related organization. These organizations are presented in Notes 13, 14, and 15 to the basic financial statements.

## **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 activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the Center's accounting policies are described below.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

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

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Center are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and programs revenues for each function or program 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 contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Center, 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.

### **Fund Financial Statements**

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

Fiduciary Funds are reported using the economic resources measurement focus.

### **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 grouped into the categories governmental and fiduciary. The focus of government fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

### **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 or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Center's major governmental funds:

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

Parent Mentor Fund – The parent mentor fund is used to educate parents or caregivers of children with disabilities about special education laws and procedures in the State of Ohio.

## **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The Center has an agency fund. The Center has a private purpose trust which benefits programs for individual students. The Center's investment trust fund is used to account for the activity of the Center's external investment pool.

## **3. 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 also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

### 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.

Nonexchange transactions, in which the Center receives value without directly giving equal value in return, included grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 nonexchange transactions must also be available before it can be recognized.

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

### Expenses/Expenditures

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

### **EQUITY IN POOLED CASH AND INVESTMENTS**

Cash received by the Center is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during the fiscal year amounted to \$221,125.

### **CAPITAL ASSETS**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of two thousand five hundred dollars (\$2,500). The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Building and Improvements	20-50 years
Equipment	3 -10 years

## **RESTRICTED ASSETS**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other government or imposed by enabling legislation. Restricted assets include the amount in the private purpose trust fund that is restricted by trust agreements to be used for scholarships.

## **COMPENSATED ABSENCES**

The Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Center's past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount due to the employee at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. Compensated Absences are reported in governmental funds only if they have matured.

## **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 applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the Center's \$293,980 in restricted net assets, none were restricted by enabling legislation.

## **FUND BALANCE RESERVES AND DESIGNATIONS**

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

## **INTERFUND ACTIVITY**

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

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

As a general rule the effect of internal activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

## **ESTIMATES**

The preparation of 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.

## **4. EQUITY IN POOLED CASH AND INVESTMENTS**

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the Center into three categories:

Active Monies - 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.

Inactive Monies – Those monies not required for use within the current two year period of designated 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 designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Center's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2008, \$2,519,447 of the Center's bank balance of \$2,719,447 was exposed to custodial 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.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

### **Investments**

As of June 30, 2008, the Center had the following investments:

	<u>Fair Value</u>	<u>Aggregate Credit Risk</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Bank	\$1,322,625	47.0%	2.04
Federal Farm Credit	99,703	3.5%	5.16
Federal Home Loan Mortgage Association	248,938	8.8%	2.55
Money Market	439,683	15.7%	0.00
Repurchase Agreement	704,489	25.0%	0.00
Total Fair Value	<u>\$2,815,438</u>	<u>100.0%</u>	
Portfolio Weighted Average Maturity			1.37

Interest rate risk - In accordance with the investment policy, the Center manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years.

Credit Risk – It is the Center’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings issued by nationally recognized statistical rating organizations. The Center’s investments in Federal Home Loan Bank, Federal Farm Credit, Federal Home Loan Mortgage Association and in the Money Market Funds were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Repurchase Agreements shall be transacted only through banks located within the State of Ohio with which the Treasurer has signed a master repurchase agreement as required in Ohio Revised Code 135.

Concentration of credit risk – The Center’s investment policy allows investments in Federal Agencies or Instrumentalities. The Center has invested 75% of its investments in government sponsored enterprise (GSE) securities.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Center’s securities are registered in the name of the Center.

## **5. RECEIVABLES**

Receivables at June 30, 2008, consisted of accounts, intergovernmental, interest and interfund.

## 6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$31,490	\$0	\$0	\$31,490
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	528,710	0	0	528,710
Equipment	<u>119,875</u>	<u>19,540</u>	<u>11,405</u>	<u>128,010</u>
Totals at Historical Cost	<u>680,075</u>	<u>19,540</u>	<u>11,405</u>	<u>688,210</u>
Less Accumulated Depreciation:				
Buildings and Improvements	137,084	12,953	0	150,037
Equipment	<u>98,171</u>	<u>7,729</u>	<u>6,340</u>	<u>99,560</u>
Total Accumulated Depreciation	<u>235,255</u>	<u>20,682</u>	<u>6,340</u>	<u>249,597</u>
Governmental Activities Capital Assets, Net	<u>\$444,820</u>	<u>(\$1,142)</u>	<u>\$5,065</u>	<u>\$438,613</u>

Depreciation expense was charged to governmental functions as follows:

Support Services:	
Instructional Staff	\$4,780
School Administration	13,925
Fiscal	989
Operations and Maintenance	988
Total Depreciation Expense	<u>\$20,682</u>

## 7. LONG-TERM LIABILITIES

	<u>Beginning Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Outstanding</u>	<u>Due In One Year</u>
<b>Governmental Activities:</b>					
Compensated Absences	<u>\$311,578</u>	<u>\$61,410</u>	<u>\$50,946</u>	<u>\$322,042</u>	<u>\$38,168</u>
Total Governmental Activities Long-Term Liabilities	<u>\$311,578</u>	<u>\$61,410</u>	<u>\$50,946</u>	<u>\$322,042</u>	<u>\$38,168</u>

Compensated absences will be paid from the fund from which the person is paid.

## 8. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

#### Plan Description

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

#### Funding Policy

Plan members are required to contribute 10% of their annual covered salary and Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Center's contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were \$229,557, \$222,875, and \$222,708, respectively; 100% has been contributed for fiscal year 2008, 2007 and 2006.

### STATE TEACHERS RETIREMENT SYSTEM OF OHIO

#### Plan Description

The Center participates in 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. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

### 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 both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

### DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 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.

### Combined Plan Benefits

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered 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 equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

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

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

### Funding Policy

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2007, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$515,217, \$493,713, and \$484,190, respectively; 100% has been contributed for fiscal year 2008, 2007 and 2006.

## 9. POST EMPLOYMENT BENEFITS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

#### Plan Description

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

#### Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (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 lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (the latest information available) was \$93.50; 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 2007 (the latest information available), the actuarially required allocation was .68%. District contributions for the year ended June 30, 2008 were \$11,150, which equaled the required contributions for the year.

#### Health Care Plan

ORC 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2007, (the latest information available) the health care allocation was 3.32%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$54,438, \$52,853, and \$54,563, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% 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 the health care surcharge. For fiscal year 2007, (the latest information available), the minimum compensation level was established at \$35,800.

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

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

## **STATE TEACHERS RETIREMENT SYSTEM OF OHIO**

### Plan Description

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

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

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.

### Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$36,801, \$35,265, and \$34,585, respectively.

## **10. CONTINGENT LIABILITIES**

### **GRANTS**

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

### **LITIGATION**

The Center 's attorney estimates that all other potential claims against the Center not covered by insurance resulting from all other litigation would not materially affect the financial statements of the Center.

## **11. 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. The current facility at 3321 Airborne Road is leased from the Great Oaks Institute of Career Technology and Development. The Highland County Educational Service Center facility was leased from the Highland County Commissioners. The Center contracted with Smith Feike Minton, Inc. for coverage from the Ohio School Plan for liability, violence, and property coverage. The plan covers the entire Center, including Hopewell, Highland County offices and all classrooms.

The National Bank and Trust Insurance Agency maintains a \$ 20,000 public official bond for the Treasurer through Western Surety Company.

Settled claims have not exceeded any of the commercial coverages mentioned above in any of the past three years. There has been no significant change in any coverage from last year.

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

## **12. OTHER EMPLOYEE BENEFITS**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave components are set by the Governing Board and State laws. Eligible employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated vacation must be used by the end of the calendar year earned or be lost. Unused vacation time is paid to employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 230 days for all personnel. Upon retirement, payment is made for twenty-five percent of the employee's accumulated sick leave with a maximum payment being limited to 35 days, unless otherwise stated in employment contract.

### **B. Health Care Benefits**

The Center provides term life insurance, accidental death and dismemberment insurance to all of its eligible employees through CoreSource, underwritten by the Fort Dearborn Life Insurance Company.

The Center provides health care, dental, and vision insurance benefits through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC), using the United Health Care, Delta Dental and Vision Service Plan providers.

### **C. 125 Plan**

The Center provides its eligible employees an option to participate in a 125 plan. Through election to participate, the employees can have their portion of their medical, dental, and vision premiums tax exempt. Participation is renewed annually with each fiscal year during the month of September. This plan is administered by the American Fidelity Assurance Company.

### **D. Deferred Compensation**

The Center provides an IRS Section 457 Plan for deferred compensation. Employees may elect to contribute "before tax" dollars into an annuity type program. The Center does not contribute. The plan is administered by ING Life and Annuity Company.

### **13. JOINTLY-GOVERNED ORGANIZATION**

#### *Miami Valley Educational Computer Association (MVECA)*

The Center is a member of the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site. MVECA is a council of Governments (COG); an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The General Assembly of MVECA consists of two representatives from each of the 24 participating school districts; that is, the superintendent and the treasurer. The Board of Directors is elected from this group. The degree of control exercised by any participating district is limited to its representation on the Board. To obtain financial information; write to MVECA, 330 East Enon Road, Yellow Springs, Ohio 45387.

#### *Hopewell Center*

The Hopewell Center is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city and exempted village school districts receive services from the Hopewell Center. The Hopewell Center is operated under regulations and policies established by the Ohio Department of Education, the Southern Ohio Educational Service Center governing board, and its own advisory board. The Hopewell Advisory Board is made up of superintendents from the eighteen school districts plus the educational service district, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Center acts as fiscal agent for the Hopewell Center through a written agreement. The Hopewell Center receives funding from contracts with each of the member school districts, state unit funding, and state and federal grants.

### **14. GROUP PURCHASING POOLS**

#### *Southwestern Ohio Educational Purchasing Cooperative (SWOEPC)*

The Southwestern Ohio Educational Purchasing Cooperative (SWOEPC) is a group purchasing pool consisting of public school districts. The purpose of a group purchasing pool is to purchase products or services at a reduced rate. The Center participates with the SWOEPC in the purchase of supplies, audio/visual materials, and the management of unemployment and workers compensation.

Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the SWOEP (described above). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual district acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating SWOEP member districts.

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

The Center participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Program (WCGRP) was established through the Southwestern Ohio Educational Purchasing Cooperative (SWOEP) as a group purchasing pool. The WCGRP's business and affairs are conducted by a Board of Directors. The Executive Director of the SWOEP, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

## **15. RELATED ORGANIZATION**

Great Oaks Institute of Technology and Career Development (Great Oaks)

The Center appoints by law one board member to serve on the board of Great Oaks, located in Cincinnati, Ohio. This board member also represents the districts of Clinton-Massie Local and Blanchester Local, per their request. All other districts participating from the counties of Clinton, Fayette, and Highland, send their own representatives.

Southern Hills Joint Vocational School

The Center appoints by law one board member to serve on the Southern Hills Joint Vocational School, located in Georgetown, Ohio, which serves Bright Local, one of the districts in the 3-county educational service district. At year end, Adams County and Ohio Valley Local School Center provide their own representation.

## **16. STATE FUNDING**

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

Part (B) of the budget is provided by the schools to which the Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Center by \$40.52. 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 of Part (B) of the budget can be increased. This is done to provide funding for specific programs and is approved by those school districts participating in the programs. Those school districts that participate and approve increased funding share in the additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

## 17. INVESTMENT POOL

The Center serves as fiscal agent for the Hopewell Center. The Center pools the moneys of this entity with the Center's moneys for investment purposes. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The investment pool consists of certificates of deposit, treasuries and money market funds.

Condensed financial information for the investment pool follows:

	Statement of Net Assets June 30, 2008
Cash	\$5,213,401
Total Assets	<u>\$5,213,401</u>
<b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	3,850,348
External Portion	1,363,053
Total Net Assets Held in Trust for Pool Participants	<u>\$5,213,401</u>
<b>Revenues</b>	
Interest Income	\$267,366
<b>Expenses</b>	
Operating Expenses	<u>\$0</u>
Net Increase in Assets Resulting From Operations	267,366
Capital Transactions	<u>(726,212)</u>
Increase in Net Assets	(458,846)
Net Assets Beginning of Year	5,672,247
Net Assets End of Year	<u>\$5,213,401</u>

## 18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2008, consisted of the following individual fund receivables and payables:

	Interfund	
	Receivable	Payable
General Fund	\$25,000	\$0
Parent Mentor Fund	0	25,000
Total All Funds	<u>\$25,000</u>	<u>\$25,000</u>

The amounts due in the general fund are the result of the District moving unrestricted balances to support programs and projects accounted for in other funds. The general fund will be reimbursed when funds become available in the non-major funds.

## 19. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other postemployment benefits (OPEB)."

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

# **REQUIRED SUPPLEMENTARY INFORMATION**

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Southern Ohio Educational Service Center  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Charges for Educational Services	\$2,056,372	\$2,059,215	\$2,070,128	\$10,913
Investment Earnings	222,445	160,000	223,933	63,933
Intergovernmental	1,223,711	1,231,897	1,231,897	0
Other Revenues	291,524	231,551	293,474	61,923
<b>Total Revenues</b>	<b>3,794,052</b>	<b>3,682,663</b>	<b>3,819,432</b>	<b>136,769</b>
Expenditures:				
Current:				
Instruction:				
Regular	329,323	279,716	271,568	8,148
Special	688,833	649,102	568,029	81,073
Support Services:				
Pupil	380,786	340,708	314,006	26,702
Instructional Staff	1,407,255	1,307,020	1,160,458	146,562
General Administration	36,135	54,949	29,798	25,151
School Administration	688,869	646,495	568,059	78,436
Fiscal	306,804	297,544	252,998	44,546
Operations and Maintenance	82,861	96,775	68,329	28,446
Central	478,063	507,061	394,223	112,838
Operation of Non-Instructional Services	238,507	256,149	196,679	59,470
Extracurricular Activities	18,366	17,126	15,145	1,981
<b>Total Expenditures</b>	<b>4,655,802</b>	<b>4,452,645</b>	<b>3,839,292</b>	<b>613,353</b>
Excess of Revenues Over (Under) Expenditures	(861,750)	(769,982)	(19,860)	750,122
Other financing sources (uses):				
Proceeds from Sale of Capital Assets	99	100	100	0
Advances (Out)	(30,317)	(25,000)	(25,000)	0
Other Miscellaneous (Uses)	0	(247,807)	0	247,807
Transfers (Out)	0	(45,515)	0	45,515
<b>Total Other Financing Sources (Uses)</b>	<b>(30,218)</b>	<b>(318,222)</b>	<b>(24,900)</b>	<b>293,322</b>
<b>Net Change in Fund Balance</b>	<b>(891,968)</b>	<b>(1,088,204)</b>	<b>(44,760)</b>	<b>1,043,444</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,522,912	2,522,912	2,522,912	0
<b>Fund Balance End of Year</b>	<b>\$1,630,944</b>	<b>\$1,434,708</b>	<b>\$2,478,152</b>	<b>\$1,043,444</b>

See accompanying notes to the required supplementary information.

Southern Ohio Educational Service Center  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2008

	Parent Mentor Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$0	\$15,830	\$11,582	(\$4,248)
Total Revenues	0	15,830	11,582	(4,248)
Expenditures:				
Current:				
Support Services:				
Pupil	0	25,000	23,731	1,269
Total Expenditures	0	25,000	23,731	1,269
Excess of Revenues Over (Under) Expenditures	0	(9,170)	(12,149)	(2,979)
Other financing sources (uses):				
Advances In	0	34,170	25,000	(9,170)
Total Other Financing Sources (Uses)	0	34,170	25,000	(9,170)
Net Change in Fund Balance	0	25,000	12,851	(12,149)
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$25,000	\$12,851	(\$12,149)

See accompanying notes to the required supplementary information.

**Sothern Ohio Educational Service Center**  
**Notes to the Required Supplementary Information**  
**For The Year Ended June 30, 2008**

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**1. BUDGETARY PROCESS**

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center. Part (C) includes the appropriations of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

Annual appropriations are enacted by the Educational Service Center at the fund and function level of expenditures. Budgetary integration is employed as a management control device during the year for all funds. During the year, monthly supplemental appropriations were enacted. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations.

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and other grants 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

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

#### Net Change in Fund Balance

	General Fund	Parent Mentor Fund
GAAP Basis	\$181,342	\$1,251
Net Adjustment for Revenue Accruals	(26,942)	(13,055)
Net Adjustment for Expenditure Accruals	400	9,131
Advances (In)	0	25,000
Advances (Out)	(25,000)	0
Encumbrances	(174,560)	(9,476)
Budget Basis	(\$44,760)	\$12,851

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**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title:	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education - Grants to States:				
IDEA Part B - FY08	6B-SI-2008	84.027	\$731,413	\$727,869
IDEA Part B - FY07	6B-SI-2007		-	229,053
			731,413	956,922
American Sign Language Grant: Baldrige Expansion	6B-ST-07	84.027	-	131,064
Special Education - IDEA Pre-School Grant for the Handicapped:				
ECO Training Grant	PG-C1-2008	84.173	700	-
Itinerant Training Grant			3,000	3,000
			3,700	3,000
<i>Total Special Education Cluster:</i>			735,113	1,090,986
State Personal Development:				
State Improvement - FY07	ST-S2-05	84.323	-	264
State Improvement - FY08			93,750	87,313
OISM Implement	ST-S3-05		5,207	14,326
Personal Development - FY08			15,453	12,745
<i>Total State Personal Development:</i>			114,410	114,648
Vocational Education Basic Grants to States:				
Dropout Prevention/Recovery	VECI-DP-08	84.048	46,700	46,700
<i>Total Vocational And Adult Education:</i>			46,700	46,700
<b>Total Department of Education</b>			896,223	1,252,334
<b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>				
<i>Passed through Ohio Department of Education:</i>				
Temporary Assistance for Needy Families:				
Parent Mentor Grant	6535E-08	93.558	11,582	14,255
<b>Total Department of Health &amp; Human Services</b>			11,582	14,255
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$907,805</b>	<b>\$1,266,589</b>

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

**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER  
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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



# Mary Taylor, CPA

## Auditor of State

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

Southern Ohio Educational Service Center  
Clinton County  
3321 Airborne Rd.  
Wilmington, Ohio 45177

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southern Ohio Educational Service Center, Clinton County, Ohio (the Center), as of and for the year ended June 30, 2008, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 17, 2009. 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

### **Compliance and Other Matters**

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

March 17, 2009



# Mary Taylor, CPA

## Auditor of State

### 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

Southern Ohio Educational Service Center  
Clinton County  
3321 Airborne Rd.  
Wilmington, Ohio 45177

#### Compliance

We have audited the compliance of the Southern Ohio Educational Service Center, Clinton County, Ohio (the Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Southern Ohio Educational Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the Center's elected officials, management, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 17, 2009

**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER  
CLINTON COUNTY  
JUNE 30, 2008**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**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 weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions 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?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster, CFDA # 84.027 and 84.173
<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>	Yes

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

None

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**SOUTHERN OHIO EDUCATIONAL SERVICE CENTER  
CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 7, 2009**