



Mary Taylor, CPA  
Auditor of State



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardin County Educational Service Center, Hardin County, (the Center), as of and for the fiscal year ended June 30, 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 Hardin County Educational Service Center, Hardin County, 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 January 21, 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 is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The General Fund and IDEA Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual provide additional information and are not a required part of the basic financial statements. We subjected the schedules 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.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements. The schedule of federal awards receipt and expenditure 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 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

January 21, 2009

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The discussion and analysis of Hardin County Educational Service Center's (the Center) financial performance provides an overall view of the Center's financial activities for the fiscal year ended June 30, 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 to enhance their understanding of the Center's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities increased \$153,477.
- General revenues accounted for \$579,161 in revenue or 21.4% of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$2,125,716 or 78.6% of total revenues of \$2,704,877.
- The Center had \$2,551,400 in expenses related to government activities; \$2,125,716 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$579,161 were adequate to provide for these programs.

**Using this Annual Financial Report**

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

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

**Reporting the Center as a Whole**

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

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

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

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

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the Center's major funds. The Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Center's most significant funds. The Center's major governmental funds are the General Fund and the IDEA Fund. Information about the Center's major funds starts on page 6.

**Governmental Funds**

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

**Fiduciary Funds**

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



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**The Center as a Whole**

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

Table 1 provides a summary of the Center's net assets for 2008. Comparisons to fiscal year 2007 are made.

**Table 1  
Governmental Activities**

	<b>2008</b>	<b>2007</b>
<b>Assets:</b>		
Current and Other Assets	\$1,478,061	\$1,324,188
Capital Assets, Net	29,587	26,556
Total Assets	<u>1,507,648</u>	<u>1,350,744</u>
<b>Liabilities:</b>		
Current and Other Liabilities	290,014	279,322
Long-Term Liabilities	63,006	70,271
Total Liabilities	<u>353,020</u>	<u>349,593</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	29,587	26,556
Restricted for Other Purposes	1,118	
Unrestricted	1,123,923	974,595
Total Net Assets	<u>\$1,154,628</u>	<u>\$1,001,151</u>

Equity in pooled cash and cash equivalents increased \$124,791. Intergovernmental receivable increased \$38,451.

Table 2 shows the changes in net assets for fiscal year 2008. Comparisons to fiscal year 2007 are made.

**Table 2  
Change in Net Assets**

	<b>2008</b>	<b>2007</b>
<b>Program Revenues:</b>		
Charges for Services	\$1,120,894	\$1,079,609
Operating Grants and Contributions	1,004,822	947,097
<b>General Revenues:</b>		
Grants and Entitlements	466,853	596,693
Investment Earnings	32,850	41,325
Miscellaneous	79,458	135,478
Total Revenues	<u>2,704,877</u>	<u>2,800,202</u>

(Continued)

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

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

	2008	2007
<b>Expenses</b>		
<b>Program Expenses:</b>		
<b>Instruction:</b>		
Regular	249,006	258,205
Special	328,912	331,314
<b>Support Services:</b>		
Pupils	556,022	495,837
Instructional Staff	217,530	182,424
Board of Education	18,260	22,771
Administration	251,776	340,006
Fiscal	178,037	169,994
Operation and Maintenance	14,829	17,727
Central	34,819	24,324
Extracurricular Activities	1,971	2,077
Intergovernmental	700,238	650,013
Interest and Fiscal Charges	-	85
Total Expenses	2,551,400	2,494,777
Change in Net Assets	\$ 153,477	\$ 305,425

**Governmental Activities**

Support Services and intergovernmental expenditures comprised 77.3 percent of governmental program expenses, as the purpose of the center is to provide services to the county schools. Instruction was 22.7 percent. Governmental Activity net assets increased \$153,477 from 2007 to 2008. This is due to cost-saving measures being taken by the Center.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. That is, it identifies the cost of these services supported by customer services and unrestricted State entitlements. Charges for services in the amount of \$1,120,894 accounted for 41.4% of the revenue, which financed operations. This statement is presented on page 10.

**The Center's Funds**

The Center had two major funds, the General Fund and the Idea Fund, which comprised 98.5% of total governmental fund assets. All governmental funds had total revenues of \$2,736,628 and expenditures of \$2,561,696. These funds are accounted for using the modified accrual basis of accounting.

**General Fund** - the General Fund, the District's largest major fund, had receipts of \$1,825,623 in 2008. Disbursements of the General Fund, totaled \$1,642,982 in 2008. The General Fund's cash balance increased \$182,641 from 2007 to 2008. This increase is meeting the Center's obligations as a whole and is due to cost-saving measures taken by the Center.

**IDEA Fund** – the balance in the Idea Fund decreased \$16,222 from 2007 to 2008 as a result of the grant proceeds collected during the fiscal year not being adequate to cover obligations.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**General Fund Budgeting Highlights**

The Center is not required to following the budgetary requirements of the Ohio Rev. Code. However, the Center's Board adopts an annual revenue and expenditure budget for each of the Center's funds. During the course of fiscal year 2008 the Center amended the budget numerous times, which were considered routine. The Center uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. The most significant budgeted funds are the General Fund and the IDEA Fund.

For the General Fund, budget basis revenue was \$71,368 below the final budget estimate of \$1,856,084. The original appropriations of \$1,665,763 were increased to \$1,801,984. The Center's ending unobligated cash balance was \$88,590 above the final budgeted amount.

There were no significant budget modifications for the IDEA Fund.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2008, the Center had \$29,587 (net of \$399,983 of accumulated depreciation) invested in furniture and equipment in governmental activities. Table 3 shows fiscal 2008 balances compared to 2007:

	<b>Capital Assets as of June 30th (Net of Depreciation)</b>	
	<b>Governmental Type Activities</b>	
	<b>2008</b>	<b>2007</b>
Furniture and Equipment	<u>\$29,587</u>	<u>\$26,556</u>
Total Capital Assets	<u><u>\$29,587</u></u>	<u><u>\$26,556</u></u>

**Debt**

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

**For the Future**

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

In conclusion, the Center has committed itself to financial excellence for many years. In addition, the Center has implemented a system of budgeting and internal controls to help control spending. All of the Center's financial abilities will be needed to meet the challenges of the future.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Contacting the Center's Financial Management**

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,167,894
<b>Receivables:</b>	
Intergovernmental	119,927
Contract Services	174,833
Prepaid Items	15,407
Capital Assets, Net of Accumulated Depreciation	29,587
Total Assets	1,507,648
 <b>Liabilities:</b>	
Accrued Wages	202,042
Accounts Payable	25,731
Compensated Absences	8,385
Intergovernmental Payable	53,856
Long-Term Liabilities	
Due within one year	28,630
Due in more than one year	34,376
Total Liabilities	353,020
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	29,587
Restricted for Other Purposes	1,118
Unrestricted	1,123,923
Total Net Assets	\$1,154,628

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, and Contributions	Total
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$249,006	\$28,896	\$211,144	(\$8,966)
Special	328,912	217,869	150	(110,893)
<b>Support Services:</b>				
Pupil	556,022	377,061	3,000	(175,961)
Instructional Staff	217,530	144,480	16,094	(56,956)
Board of Education	18,260	12,860		(5,400)
Administration	251,776	178,948	81,503	8,675
Fiscal	178,037	124,681	6,886	(46,470)
Operation and Maintenance of Plant	14,829	10,466		(4,363)
Central	34,819	24,187		(10,632)
Extracurricular Activities	1,971	1,446		(525)
Intergovernmental	700,238		686,045	(14,193)
Total Governmental Activities	<u>\$2,551,400</u>	<u>\$1,120,894</u>	<u>\$1,004,822</u>	<u>(425,684)</u>
<b>General Receipts</b>				
Grants and Entitlements not Restricted to Specific Programs				466,853
Unrestricted Investment Earnings				32,850
Miscellaneous				79,458
Total General Receipts				<u>579,161</u>
Change in Net Assets				153,477
Net Assets - Beginning of Year				<u>1,001,151</u>
Net Assets - End of Year				<u>\$1,154,628</u>

See accompanying notes to the basic financial statements.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General Fund</u>	<u>IDEA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,155,925	\$3,400	\$8,569	\$1,167,894
<b>Receivables:</b>				
Intergovernmental	72,931	33,662	13,334	119,927
Contract Services	174,833			174,833
Prepaid Items	9,897	5,005	505	15,407
Total Assets	<u>1,413,586</u>	<u>42,067</u>	<u>22,408</u>	<u>1,478,061</u>
<b>Liabilities:</b>				
Accrued Wages and Benefits	134,959	57,804	9,279	202,042
Accounts Payable	17,966	6,450	1,315	25,731
Compensated Absences Payable	8,385			8,385
Intergovernmental	34,406	17,983	1,467	53,856
Deferred Revenue	89,931			89,931
Total Liabilities	<u>285,647</u>	<u>82,237</u>	<u>12,061</u>	<u>379,945</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	27,840	1,635	7,018	36,493
<b>Unreserved, Reported in:</b>				
General Fund	1,100,099			1,100,099
Special Revenue Funds		(41,805)	3,329	(38,476)
Total Fund Balances	<u>1,127,939</u>	<u>(40,170)</u>	<u>10,347</u>	<u>1,098,116</u>
Total Liabilities and Fund Balances	<u>\$1,413,586</u>	<u>\$42,067</u>	<u>\$22,408</u>	<u>\$1,478,061</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

Total Governmental Fund Balances \$1,098,116

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 29,587

Other long-term assets are not available to pay for current expenditures and, therefore, are not reported in the funds 89,931

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

Due within One Year - Compensated Absences	(\$28,630)	
Due in More than One Year - Compensated Absences	<u>(34,376)</u>	<u>(63,006)</u>

Net Assets of Governmental Activities \$1,154,628

*See accompanying notes to the basic financial statements.*



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>IDEA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Intergovernmental	\$561,070	\$648,433	\$262,172	\$1,471,675
Investment Income	32,850			32,850
Tuition and Contract Services	1,152,645			1,152,645
Miscellaneous	79,058		400	79,458
Total Revenues	<u>1,825,623</u>	<u>648,433</u>	<u>262,572</u>	<u>2,736,628</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	40,524		208,043	248,567
Special	325,630			325,630
<b>Support Services:</b>				
Pupils	555,181		60	555,241
Instructional Staff	215,335		2,023	217,358
Board of Education	18,260			18,260
Administration	255,031		8,350	263,381
Fiscal	181,503			181,503
Operation and Maintenance	14,829			14,829
Central	34,718			34,718
Extracurricular Activities	1,971			1,971
Intergovernmental		664,655	35,583	700,238
Total Expenditures	<u>1,642,982</u>	<u>664,655</u>	<u>254,059</u>	<u>2,561,696</u>
Net Change in Fund Balances	182,641	(16,222)	8,513	174,932
Fund Balances at Beginning of Year	<u>945,298</u>	<u>(23,948)</u>	<u>1,834</u>	<u>923,184</u>
Fund Balances at End of Year	<u>\$1,127,939</u>	<u>(\$40,170)</u>	<u>\$10,347</u>	<u>\$1,098,116</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$174,932
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Amounts reported for governmental activities on the statement of activities are different because of the following:

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

Capital Outlay	\$10,364	
Depreciation	<u>(7,333)</u>	3,031

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(31,751)
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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures.

Compensated Absences		<u>7,265</u>
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Change in Net Assets of Governmental Activities	<u><u>\$153,477</u></u>
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*See accompanying notes to the basic financial statements.*

HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity In Pooled Cash and Cash Equivalents	<u>\$12,896</u>
<b>Liabilities:</b>	
Accounts Payable	117
Undistributed Monies	<u>12,779</u>
Total Liabilities	<u><u>\$12,896</u></u>

*See accompanying notes to the basic financial statements.*

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**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**1. Primary Government**

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

**2. Component Units**

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

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

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

**3. Jointly Governed Organizations**

The Center is associated with two jointly governed organizations, the Western Ohio Computer Organization, and the Ohio-Hi Point Joint Vocational School. Information about these organizations is presented in Note 13.

**4. Insurance Pools**

The Center is associated with three insurance pools: the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Schools of Ohio Risk Sharing Authority. Information about these organizations is presented in Note 14.

**5. Fiscal Agent Services**

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

**B. Basis of Presentation**

**1. Government-wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

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

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

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

**C. Fund Accounting**

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

**1. Governmental Funds**

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the IDEA Fund are Center's only major 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.

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

The other governmental funds of the Center account for grants and other resources, whose uses are restricted to a particular purpose.

**2. Fiduciary Funds**

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

**D. Measurement Focus**

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

**E. Basis of Accounting**

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

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

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

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

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

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

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

**2. Deferred Revenue**

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

**3. Expenses/Expenditures**

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

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

**F. Budgetary Process**

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



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

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

**G. Cash and Investments**

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

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

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$32,850, which includes \$1,674 assigned from other Center Funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**I. Capital Assets**

General capital assets are those that result from expenditures in the government funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated fixed assets are recorded at their fair market values as of the date received. The Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

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

**J. Compensated Absences**

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

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least fifteen (15) years of service were considered expected to become eligible to retire in accordance with GASB 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Center did not have any net assets restricted by enabling legislation.

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

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

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

**M. Fund Balance Reserves**

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 balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances in the governmental funds.

**N. Interfund Transactions**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the statement of net assets. There were no Interfund Receivables/Payables at June 30, 2008.

**O. Estimates**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

**Q. Pass-Through Grant Activity**

The Center is the primary recipient of grants, which are passed through or spent on behalf of the school districts within the county.

When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2008, these grants included the Special Education Grants to States and Special Education Preschool Grants.

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the Center has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the Center; however, certain disclosures related to postemployment benefits (see Note 10) have been modified to conform to the new reporting requirements.

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

**3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged or sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the Center.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the Center.

**4. DEPOSITS AND INVESTMENTS**

**Deposits:**

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

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

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

**Interim Deposits:** Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

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

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

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

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

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

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

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3. "Deposits With Financial Institutions, Investments (Including Repurchased Agreements), and Reverse Repurchase Agreements.

**A. Deposits:**

Custodial credit risk is the risk that in the event of bank failure, the Center will not be able to recover the deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$532,200 of the Center's bank balance of \$632,200 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

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

**B. Investments**

As of June 30, 2008, the carrying value of funds on deposit with STAR Ohio was \$601,789. STAR Ohio carries a rating of AAA by Standard and Poor's.

As a means of limiting its exposure to fair value losses arising from rising interest rates, and according to state law, the Center's investment policy limits investment portfolio maturities to two years or less.

The Center's policy suggests but does not limit the amount that may be invested in any one issuer. The Center held 100% of its investments in STAR Ohio

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**5. STATE FUNDING**

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

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

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

**6. RECEIVABLES**

Receivables at June 30, 2008, consisted of accounts, contract services, and intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

<b>Receivables</b>	<b>Amount</b>
<b>Governmental Type Activities:</b>	
Intergovernmental:	
ECSE	\$ 8,980
CAFS	72,931
IDEA	33,662
Academy Alt Challenge	4,354
Total Intergovernmental Receivables	119,927
Contract Services:	
General	174,833
Total Governmental Type Activities	\$294,760

**7. CAPITAL ASSETS**

A summary in Capital Assets during fiscal year 2008 follows:

	<b>Balance 6/30/2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/2008</b>
<b>Governmental Activities</b>				
Furniture and Equipment	\$419,206	\$10,364	\$0	\$429,570
Totals at Historical Cost	419,206	10,364		429,570
<b>Less Accumulated Depreciation:</b>				
Furniture and Equipment	392,650	7,333		399,983
Total Accumulated Depreciation	392,650	7,333		399,983
Governmental Activities Capital Assets, Net	\$ 26,556	\$ 3,031	\$0	\$ 29,587

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

**7. CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular Instruction	\$ 284
Special	160
<b>Support Service:</b>	
Instructional Staff	1,995
Administration	4,792
Central	102
Total Depreciation Expense	<u>\$7,333</u>

The estimated useful life of five years is used on furniture and equipment to compute depreciation.

**8. RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the Center contracted with Schools of Ohio Risk Sharing Authority (SORSA) for general liability insurance with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is also protected by SORSA with a business personal property limit of \$412,178. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from last year.

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ending June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The employer rate was 14 percent of annual covered payroll; 9.16 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$41,615, \$37,442, and \$63,999, respectively; 79.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$12,998 represents the unpaid contribution for the period ended 2007. The balance outstanding is reflected as an intergovernmental payable.

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

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

**B. State Teachers Retirement Systems**

The Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$140,818, \$129,465, and \$218,062 respectively; 74.41 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. \$38,805 represents the unpaid contribution for fiscal year 2008. The balance outstanding is reflected as an intergovernmental payable.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**10. POST-EMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$6,850.

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$18,990, \$11,639, and \$20,688 respectively; 79.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,998, \$2,384, and \$4,718 respectively; 79.56 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B State Teachers Retirement System**

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$10,832, \$9,959, and \$16,774 respectively; 74.41 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified 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 120 days for eligible personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days.

**B. Health Care Benefits**

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

**12. LONG-TERM LIABILITIES**

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

	<u>Principal Outstanding 06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/08</u>	<u>Amounts Due In One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$70,271	\$1,120	\$8,385	\$63,006	\$28,630
Total Governmental Activities Long-Term Liabilities	<u>\$70,271</u>	<u>\$1,120</u>	<u>\$8,385</u>	<u>\$63,006</u>	<u>\$28,630</u>

**13. JOINTLY GOVERNED ORGANIZATIONS**

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

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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

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

**14. INSURANCE POOLS**

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

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

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

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

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

The GRP's business and affairs are conducted by a three member board of directors consisting of the President-Elect, and the immediate past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP.

Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**14. INSURANCE POOLS (Continued)**

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

The Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a protected self-insurance pool created and administered under the authority of Ohio Revised Code 2744. The SORSA is an incorporated nonprofit association of its members which enables the participants to provide for a formalized joint self-insurance pool and to assist members, including the Center, to present and reduce losses and injuries to Center property and persons and program for maintaining adequate insurance protection and provides risk management programs and other administrative services. Member contributions are based on actuarially determined rates and are allocated to a self-insurance pool (for claims and assessments), reinsurance coverage (for catastrophic losses), and a third party administrator (to handle claims and administrative expenses). The Third Party Administrator is Frank Gates Service Company. Financial information can be obtained from Ohio Schools Risk Sharing Authority, Inc., 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

**15. ACCOUNTABILITY**

At June 30, 2008, the Special Revenue Public Preschool Fund and Idea Fund had deficit fund balances in the amount of \$2,360 and \$40,170, respectively. The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**16. CONTINGENCIES**

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 June 30, 2008.

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Over (Under)</u>
<b>Revenues:</b>				
Intergovernmental	\$589,594	\$644,401	\$561,070	(\$83,331)
Earnings on Investments	35,000	33,000	32,850	(150)
Tuition and Contract Services	1,670,000	1,087,000	1,112,453	25,453
Miscellaneous Revenue	67,300	91,683	78,343	(13,340)
Total Revenues	<u>2,361,894</u>	<u>1,856,084</u>	<u>1,784,716</u>	<u>(71,368)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	78,638	106,295	70,428	35,867
Special	309,810	323,960	314,859	9,101
<b>Support Services:</b>				
Pupils	518,654	556,153	532,449	23,704
Instructional Staff	169,612	222,195	208,622	13,573
Board of Education	23,199	22,299	18,732	3,567
Administration	339,182	328,813	266,067	62,746
Fiscal	181,872	183,472	181,265	2,207
Operation and Maintenance	21,369	21,369	14,883	6,486
Central	21,221	35,222	32,750	2,472
Extracurricular Activities	2,206	2,206	1,971	235
Total Expenditures	<u>1,665,763</u>	<u>1,801,984</u>	<u>1,642,026</u>	<u>159,958</u>
Excess of Revenues Over Expenditures	<u>696,131</u>	<u>54,100</u>	<u>142,690</u>	<u>88,590</u>
Fund Balance at Beginning of Year	915,987	915,987	915,987	
Prior Year Encumbrances Appropriated	<u>51,443</u>	<u>51,443</u>	<u>51,443</u>	
Fund Balance at End of Year	<u>\$1,663,561</u>	<u>\$1,021,530</u>	<u>\$1,110,120</u>	<u>\$88,590</u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BASIS) AND ACTUAL  
IDEA FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			<u>Variance Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Intergovernmental	\$648,433	\$648,433	\$614,771	(\$33,662)
Total Revenues	<u>648,433</u>	<u>648,433</u>	<u>614,771</u>	<u>(33,662)</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Special	495,102	484,851	457,069	27,782
<b>Support Services:</b>				
Pupils	144,771	155,189	154,033	1,156
Administration	<u>73,888</u>	<u>73,721</u>	<u>73,682</u>	<u>39</u>
Total Expenditures	<u>713,761</u>	<u>713,761</u>	<u>684,784</u>	<u>28,977</u>
Excess of Revenues (Under) Expenditures	<u>(65,328)</u>	<u>(65,328)</u>	<u>(70,013)</u>	<u>(4,685)</u>
Fund Balance at Beginning of Year	64,912	64,912	64,912	
Prior Year Encumbrances Appropriated	<u>416</u>	<u>416</u>	<u>416</u>	
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$4,685)</u></u>	<u><u>(\$4,685)</u></u>

*See accompanying notes to the basic financial statements.*

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Budgetary Basis of Accounting**

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

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

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

	<b>General</b>	<b>IDEA</b>
<b>Net Change in Fund Balance:</b>		
Budget Basis	\$142,690	(\$70,013)
<b>Adjustments:</b>		
Changes due to Revenue Accruals	40,907	33,662
Changes due to Expenditure Accruals	(46,761)	12,044
Encumbrances	45,805	8,085
GAAP Basis	\$182,641	(\$16,222)

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**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>				
<i>(Passed through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education Grants to States	2007	84.027		\$65,328
	2008		\$614,771	611,371
Total Special Education Grants to States			<u>614,771</u>	<u>676,699</u>
Special Education Preschool Grants	2007	84.173	1,833	2,412
	2008		28,632	34,605
Total Special Education Preschool Grants			<u>30,465</u>	<u>37,017</u>
Total Special Education Cluster			<u>645,236</u>	<u>713,716</u>
Total Department of Education			<u>645,236</u>	<u>713,716</u>
Total Federal Financial Assistance			<u>\$645,236</u>	<u>\$713,716</u>

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

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

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

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

The Center applies for and administers grants on behalf of member school districts. The Center reports these grants on their schedule as they receive and expend the grants. These grants are subject to audit during the Center's annual audit according to the Single Audit Act (A-133). Amounts awarded to member districts are as follows:

<u>District</u>	<u>FY 08 Award Amount IDEA Part B</u>	<u>FY 08 Award Amount IDEA Preschool</u>
Hardin Northern Local School District	\$99,249	\$3,378
Ridgemont Local School District	134,600	7,873
Riverdale Local School District	216,601	2,388
Upper Scioto Valley Local School District	197,983	6,201
Ada Exempted Village School District		3,482
Kenton City School District		13,540
<b>Total Grants</b>	<u>\$648,433</u>	<u>\$36,862</u>



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardin County Educational Service Center, Hardin County, (the Center), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 21, 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.

We noted a certain matter that we reported to the Center's management in a separate letter dated January 21, 2009.

### **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, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

January 21, 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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Hardin County Educational Service Center, Hardin County, (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 program for the fiscal 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 each major federal program. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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.

As described in finding 2008-001 in the accompanying schedule of findings and questioned costs, the Center did not comply with requirements regarding Period of Availability applying to its Special Education Grants to States program. Compliance with this requirement is necessary, in our opinion, for the Center to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Hardin County Educational Service Center complied, in all material respects, with the requirements referred to above applying to its major federal program for the fiscal year ended June 30, 2008.

In a separate letter to the Center's management dated January 21, 2009, we reported other matters related to the federal noncompliance not requiring inclusion in this report.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Center's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to administer a federal program such that there is more than a remote likelihood that the Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2008-001 to be a significant deficiency.

A material weakness is significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that the Center's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 21, 2009

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA # 84.027: Special Education Grants to States CFDA # 84.173: Special Education Preschool Grants
<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

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

None.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

<b>Finding Number</b>	2008-001
<b>CFDA Title and Number</b>	Special Education Grants to States #84.027
<b>Federal Award Number / Year</b>	2008
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Significant Deficiency**

**Period of Availability – Questioned Costs**

**34 CFR Subpart C, Section 80.23 (a)** states where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

The period of availability for 2008 Special Education Grants to States Grant was from August 1, 2007 to June 30, 2008. The Center charged expenditures in the amount of \$10,646 to this Grant which were incurred outside the period of availability. The expenditures consisted of \$9,817 of 2006-2007 Multiple Disabilities Costs paid to a city school district and \$829 was for various goods and services that were applicable to Fiscal Year 2009. These expenditures represent 1.6% of the total expenditures from this Grant.

Based on the facts documented above, questioned costs in the amount of \$10,646 are being issued.

The failure to charge to a grant only those expenditures incurred during the period of availability may result in a material amount of the grant being illegally expended.

Prior to charging expenditures to a grant, the Center should review the grant agreement, the Uniform Administrative Requirements, and possibly consult with the grantor agency to help assure the expenditures fall within the period of availability.

**Officials Response:**

Hardin County Educational Service Center's Special Education programs are funded by a combination of grants and local funds. Throughout the 2008 fiscal year, we had general fund expenditures greater than \$70,000 that could have been paid from Special Education Grant funds, as these expenditures would have fallen within the period of availability of the grant and were used for the express purpose of Special Education programs. We would like to correct our accounting records by posting the \$10,646 identified as questioned costs to the appropriate general fund accounts, and recording \$10,646 of the \$70,000 general fund expenses to the Special Education Grant funds. We will contact the Ohio Department of Education to try to resolve this matter.



**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken, or Finding No Longer Valid; <b><i>Explain:</i></b>
2007-001	Material Weakness – Incorrect calculation of Excess Costs (Contract Services) Billings to member districts.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**HARDIN COUNTY EDUCATIONAL SERVICE CENTER  
HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 5, 2009**