



Mary Taylor, CPA
Auditor of State

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875-8657

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Putnam County Educational Service Center, Putnam County, Ohio (the ESC), as of and for the year ended June 30, 2008, which collectively comprise the ESC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ESC'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 Putnam County Educational Service Center, Putnam County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of the ESC'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 ESC's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual provide additional information and are not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 29, 2009

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$50,656 which represents a 1.23% decrease from 2007.
- General revenues accounted for \$967,574 in revenue or 15.32% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,348,502 or 84.68% of total revenues of \$6,316,076.
- The ESC had \$6,366,732 in expenses related to governmental activities; \$5,348,502 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$967,574 were not adequate to provide for these programs.
- The ESC's major governmental funds are the General fund, the Miscellaneous State Grants fund, the Instructional Programs-Migrant Grant fund, the IDEA Part B Grant fund, and the Miscellaneous Federal Grants fund. The General fund had \$2,892,264 in revenues and \$2,853,352 in expenditures. During fiscal year 2008, the General fund balance increased \$38,912 from \$558,806 to \$597,718.
- The Miscellaneous State Grant fund had \$1,120,875 in revenues and \$861,862 in expenditures. During fiscal year 2008, the Miscellaneous State Grant fund balance increased \$259,013 from \$12,802 to \$271,815.
- The Instructional Programs-Migrant Grant fund had \$226,732 in revenues and \$170,533 in expenditures. During fiscal year 2008, the Instructional Programs-Migrant Grant fund balance increased \$56,199 from \$52,626 to \$108,825.
- The IDEA Part B Grant fund had \$1,616,173 in revenues and \$1,683,943 in expenditures. During fiscal year 2008, the IDEA Part B Grant fund balance decreased \$67,770 from \$69,577 to \$1,807.
- The Miscellaneous Federal Grants fund had \$513,183 in revenues and \$405,972 in expenditures. During fiscal year 2008, the Miscellaneous Federal Grants fund balance increased \$107,211 from \$20,900 to \$128,111.

Using these Basic Financial Statements

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole ESC, presenting an aggregate view of the ESC's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the General fund, the Miscellaneous State Grants fund, the Instructional Programs-Migrant Grant fund, the IDEA Part B Grant fund, and the Miscellaneous Federal Grants fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC 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, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the Governmental Activities include the ESC's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's major governmental funds are the General fund, the Miscellaneous State Grants fund, the Instructional Programs-Migrant Grant fund, the IDEA Part B Grant fund, and the Miscellaneous Federal Grants fund.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

Governmental Funds

Most of the ESC'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* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the ESC'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 basic financial statements.

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the ESC's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The ESC as a Whole

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

The table below provides a summary of the ESC's net assets for 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$1,796,543	\$1,840,159
Capital assets	4,112,690	4,181,331
Total assets	<u>\$5,909,233</u>	<u>\$6,021,490</u>
<u>Liabilities</u>		
Current liabilities	\$572,221	\$572,662
Long-term liabilities	1,267,171	1,328,331
Total liabilities	<u>1,839,392</u>	<u>1,900,993</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,368,801	3,382,924
Restricted	615,338	693,509
Unrestricted	85,702	44,064
Total net assets	<u>\$4,069,841</u>	<u>\$4,120,497</u>

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

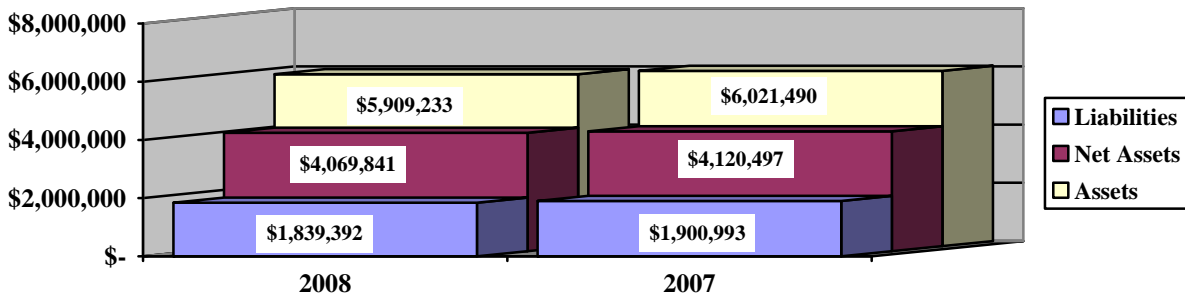
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the ESC's assets exceeded liabilities by \$4,069,841. Of this total, \$85,702 is unrestricted in use.

At year-end, capital assets represented 69.60% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$3,368,801. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$615,338, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$85,702 may be used to meet the ESC's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2008 and 2007.

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues:		
Charges for services and sales	\$1,931,116	\$1,949,805
Operating grants and contributions	3,417,386	3,205,206
General revenues:		
Grants and entitlements	913,080	890,952
Investment earnings	48,243	64,640
Other	6,251	20,320
Total revenues	6,316,076	6,130,923

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	Change in Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$309,956	\$302,868
Special	1,217,609	946,975
Adult/continuing	32,650	73,386
Other	1,888	
Support services:		
Pupil	648,831	764,636
Instructional staff	1,642,381	1,682,297
Board of education	30,220	25,480
Administration	258,137	168,268
Fiscal	220,270	206,397
Operations and maintenance	164,430	220,964
Pupil transportation	60,027	64,782
Central	34,266	56,236
Operations of non-instructional services	21,815	151,155
Intergovernmental pass-through	1,683,943	1,631,177
Interest and fiscal charges	40,309	42,925
Total expenses	<u>6,366,732</u>	<u>6,337,546</u>
Change in net assets	(50,656)	(206,623)
Net assets at beginning of year	<u>4,120,497</u>	<u>4,327,120</u>
Net assets at end of year	<u><u>\$4,069,841</u></u>	<u><u>\$4,120,497</u></u>

Governmental Activities

Net assets of the ESC's governmental activities decreased \$50,656. Total governmental expenses of \$6,366,732 were offset by program revenues of \$5,348,502 and general revenues of \$967,574. Program revenues supported 84.00% of the total governmental expenses.

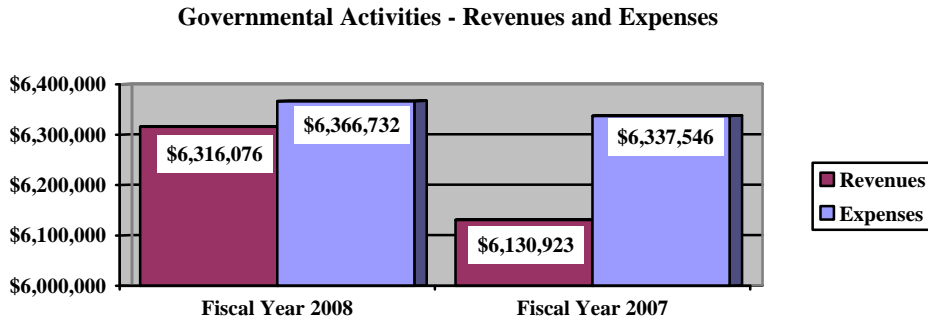
The primary sources of revenue for governmental activities are derived from operating grants and contributions. These revenue sources represent 54.11% of total governmental revenue.

The largest expense of the ESC is for instructional staff programs. Instructional staff expenses totaled \$1,642,381 or 25.79% of total governmental expenses for fiscal 2008.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

The graph below presents the ESC's governmental activities revenue and expenses for fiscal year 2008 and 2007.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program expenses				
Instruction:				
Regular	\$309,956	\$42,633	\$302,868	(\$15,063)
Special	1,217,609	(1,770,097)	946,975	(1,972,095)
Adult/continuing	32,650	32,650	73,386	17,393
Other	1,888	(23,209)		
Support services:				
Pupil	648,831	155,047	764,636	173,816
Instructional staff	1,642,381	418,948	1,682,297	711,189
Board of education	30,220	30,220	25,480	25,480
Administration	258,137	180,089	168,268	114,190
Fiscal	220,270	192,508	206,397	176,237
Operations and maintenance	164,430	93,691	220,964	196,842
Pupil transportation	60,027	(17,113)	64,782	6,077
Central	34,266	(3,456)	56,236	6,414
Operations of non-instructional services	21,815	(37,933)	151,155	67,953
Intergovernmental pass-through	1,683,943	1,683,943	1,631,177	1,631,177
Interest and fiscal charges	40,309	40,309	42,925	42,925
Total expenses	\$6,366,732	\$1,018,230	\$6,337,546	\$1,182,535

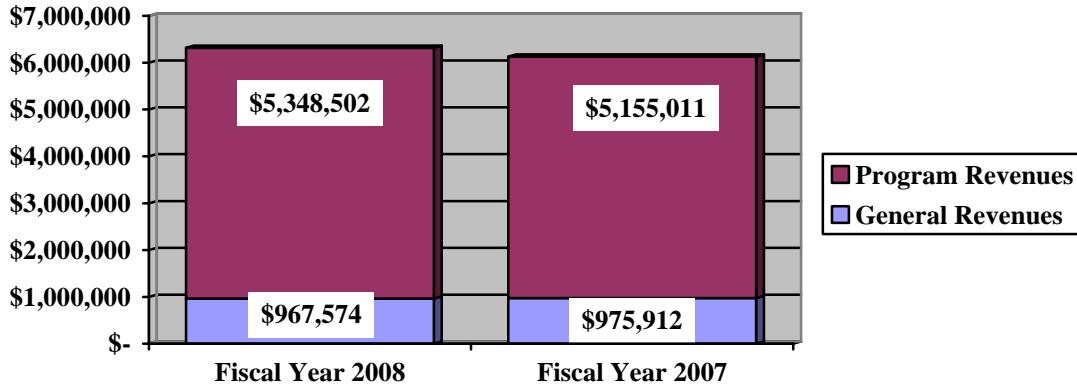
The dependence upon other general revenues for governmental activities is apparent, general revenue support is 15.99%. The ESC's operating grants and contributions, as a whole, are by far the primary support for ESC's students.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

The graph below presents the ESC's governmental activities revenue for fiscal year 2008 and 2007.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds reported a combined fund balance of \$1,143,515, which is higher than last year's total of \$742,815. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	<u>Fund Balance</u> <u>June 30, 2008</u>	<u>Fund Balance</u> <u>June 30, 2007</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
General	\$597,718	\$558,806	\$38,912	6.96 %
Miscellaneous State Grants	271,815	12,802	259,013	2,023.22 %
Instructional Programs-Migrant Grant	108,825	52,626	56,199	106.79 %
IDEA Part B Grant	1,807	69,577	(67,770)	(97.40) %
Miscellaneous Federal Grants	128,111	20,900	107,211	512.97 %
Other Governmental	35,239	28,104	7,135	25.39 %
Total	\$1,143,515	\$742,815	\$400,700	53.94 %

General Fund

The ESC's General fund balance increased by \$38,912. The increase in fund balance can be attributed to several items related to decreasing revenues and decreased expenditures. Revenues exceed expenditures for fiscal year 2008 by \$38,912.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

The table that follows assists in illustrating the financial activities and fund balance of the General fund.

	2008 Amount	2007 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Tuition	\$1,653,886	\$125,792	\$1,528,094	1,214.78 %
Contract Services	216,827	1,679,749	(1,462,922)	(87.09) %
Earnings on investments	41,817	64,640	(22,823)	(35.31) %
Intergovernmental	913,080	890,952	22,128	2.48 %
Other revenues	66,654	164,504	(97,850)	(59.48) %
Total	<u>\$2,892,264</u>	<u>\$2,925,637</u>	<u>(\$33,373)</u>	(1.14) %
<u>Expenditures</u>				
Instruction	\$903,114	\$929,098	(\$25,984)	(2.80) %
Support services	1,855,249	2,149,817	(294,568)	(13.70) %
Debt service	94,989	83,120	11,869	14.28 %
Total	<u>\$2,853,352</u>	<u>\$3,162,035</u>	<u>(\$308,683)</u>	(9.76) %

Miscellaneous State Grants Fund

The Miscellaneous State Grants fund had \$1,120,875 in revenues and \$861,862 in expenditures. During fiscal year 2008, the Miscellaneous State Grants fund balance increased \$259,013 from \$12,802 to \$271,815.

Instructional Programs-Migrant Grant Fund

The Instructional Programs-Migrant Grant fund had \$226,732 in revenues and \$170,533 in expenditures. During fiscal year 2008, the Instructional Programs-Migrant Grant fund balance increased \$56,199 from \$52,626 to \$108,825.

IDEA Part B Grant Fund

The IDEA Part B Grant fund had \$1,616,173 in revenues and \$1,683,943 in expenditures. During fiscal year 2008, the IDEA Part B Grant fund balance decreased \$67,770 from \$69,577 to \$1,807.

Miscellaneous Federal Grants Fund

The Miscellaneous Federal Grants fund had \$513,183 in revenues and \$405,972 in expenditures. During fiscal year 2008, the Miscellaneous Federal Grants fund balance increased \$107,211 from \$20,900 to \$128,111.

General Fund Budgeting Highlights

The ESC's budget is prepared according to policies of the ESC and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

During the course of fiscal 2008, the ESC amended its General Fund budget several times. For the General fund, original budgeted revenues were \$2,813,252 and final budgeted revenues were \$2,692,213. Actual revenues for fiscal 2008 was \$2,903,919. This represents a \$211,706 increase over final budgeted revenues.

General fund original appropriations of \$3,663,884 were increased to \$3,681,045 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$2,849,921, which was \$831,124 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the ESC had \$4,112,690 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$156,000	\$156,000
Building and improvements	3,819,573	3,782,871
Furniture and equipment	123,933	226,767
Vehicles	13,184	15,693
Total	\$4,112,690	\$4,181,331

The overall decrease in capital assets is due to depreciation expense of \$97,022 and disposals of \$85,473 (net of accumulated depreciations) exceeding capital outlays of \$113,854 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2008, the ESC had \$743,889 in capital lease obligations outstanding. Of this total, \$45,700 is due within one year and \$698,189 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities	
	2008	2007
Capital lease obligations	\$743,889	\$798,407

See Note 9 to the basic financial statements for additional information on the ESC's debt administration.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

Current Financial Related Activities

Overall, the Educational Service Center is strong financially. As the preceding information shows, the ESC relies heavily upon grants, Special Education billings from the local districts, and state foundation payments. State funding is predicted to be flat for the next several years impacting the ESC and its local districts.

The challenge for the ESC's Management is to continue to provide the resources necessary to meet student needs and be able to stay within our budget for the year. The ESC has anticipated a lower than normal increase in funding due to declining enrollment in the county. This not only impacts the ESC's income, but that of our locals.

Another challenge facing the ESC is the maintenance and renting of a new facility that houses our offices, as well as, a higher education facility with six flexible classrooms. The cost of the facility is around \$3,300,000, with our investment being \$1,000,000 over a 20 year lease purchase agreement with the Village of Ottawa. A grant from the Economic Development Administration and the Village will be contributing the remaining portion of the funding.

The last challenge facing the ESC is the continued talk of regionalization of services for education in Ohio. To date the outlook of this is looking more favorable to ESCs and we do not see any major changes to our operations in the next several years.

The ESC's system of budgeting and internal controls is well regarded. All of the ESC's financial abilities will be needed to meet the financial challenges of the future.

Contacting the ESC's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Michael Siebeneck, Treasurer, Putnam County ESC, 124 Putnam Parkway, Ottawa, Ohio 45875-8657.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$1,440,176
Receivables:	
Accounts	9,636
Intergovernmental	339,675
Accrued interest	7,056
Capital assets:	
Land	156,000
Depreciable capital assets, net	<u>3,956,690</u>
 Total assets	 <u><u>\$5,909,233</u></u>
 Liabilities:	
Accrued wages and benefits	\$473,808
Pension obligation payable	83,461
Intergovernmental payable	11,960
Accrued interest payable	2,992
Long-term liabilities:	
Due within one year	196,890
Due within more than one year	<u>1,070,281</u>
 Total liabilities	 <u>1,839,392</u>
 Net Assets:	
Invested in capital assets, net	
of related debt	3,368,801
Restricted for:	
Locally funded programs	6,320
State funded programs	292,123
Federally funded programs	316,895
Unrestricted	<u>85,702</u>
 Total net assets	 <u><u>\$4,069,841</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$309,956	\$47,265	\$220,058	(\$42,633)
Special	1,217,609	1,823,448	1,164,258	1,770,097
Adult/continuing	32,650			(32,650)
Other	1,888		25,097	23,209
Support services:				
Pupil	648,831		493,784	(155,047)
Instructional staff	1,642,381		1,223,433	(418,948)
Board of education	30,220			(30,220)
Administration	258,137		78,048	(180,089)
Fiscal	220,270		27,762	(192,508)
Operations and maintenance	164,430	60,403	10,336	(93,691)
Pupil transportation	60,027		77,140	17,113
Central	34,266		37,722	3,456
Operation of non-instructional services	21,815		59,748	37,933
Intergovernmental pass-through	1,683,943			(1,683,943)
Interest and fiscal charges	40,309			(40,309)
Total governmental activities	\$6,366,732	\$1,931,116	\$3,417,386	(1,018,230)
General Revenues:				
				913,080
Grants and entitlements not restricted to specific programs				48,243
Investment earnings				6,251
Miscellaneous				967,574
Total general revenues				(50,656)
Change in net assets				4,120,497
Net assets at beginning of year				\$4,069,841
Net assets at end of year				\$4,069,841

See accompanying notes to the basic financial statements

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**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>General</u>	<u>Miscellaneous State Grants</u>	<u>Instructional Programs Migrant</u>	<u>IDEA Part B Grants</u>
Assets:				
Equity in pooled cash and cash equivalents	\$1,098,065	\$241,332	\$20,593	
Receivables:				
Accounts	9,636			
Intergovernmental		39,672	111,613	\$39,010
Accrued interest	7,056			
Interfund receivable	19,048			
Total assets	<u>\$1,133,805</u>	<u>\$281,004</u>	<u>\$132,206</u>	<u>\$39,010</u>
Liabilities:				
Accrued wages and benefits	\$444,399	\$7,873	\$2,486	\$8,981
Pension obligation payable	76,340	973	2,212	2,003
Intergovernmental payable	8,922	343	78	1,792
Interfund payable				19,048
Deferred revenue	6,426		18,605	5,379
Total liabilities	<u>536,087</u>	<u>9,189</u>	<u>23,381</u>	<u>37,203</u>
Fund Balances:				
Reserved for encumbrances	21,173	17,652	43,255	14,052
Unreserved, undesignated (deficit), reported in:				
General fund	576,545			
Special revenue funds		254,163	65,570	(12,245)
Total fund balances	<u>597,718</u>	<u>271,815</u>	<u>108,825</u>	<u>1,807</u>
Total liabilities and fund balances	<u>\$1,133,805</u>	<u>\$281,004</u>	<u>\$132,206</u>	<u>\$39,010</u>

See accompanying notes to the basic financial statements

Miscellaneous Federal Grants	Other Governmental Funds	Total Governmental Funds
\$49,724	\$30,462	\$1,440,176
		9,636
123,717	25,663	339,675
		7,056
		19,048
<u>\$173,441</u>	<u>\$56,125</u>	<u>\$1,815,591</u>
\$1,410	\$8,660	\$473,809
879	1,053	83,460
315	510	11,960
		19,048
<u>42,726</u>	<u>10,663</u>	<u>83,799</u>
<u>45,330</u>	<u>20,886</u>	<u>672,076</u>
114,344	728	211,204
		576,545
<u>13,767</u>	<u>34,511</u>	<u>355,766</u>
<u>128,111</u>	<u>35,239</u>	<u>1,143,515</u>
<u>\$173,441</u>	<u>\$56,125</u>	<u>\$1,815,591</u>

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

Total governmental fund balances \$1,143,515

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 4,112,690

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

Intergovernmental revenue 83,799

Long-term liabilities are not due and payable in the current
period and therefore are not reported in the funds.

Capital lease obligation \$743,889

Compensated absences 523,282

Accrued interest payable 2,992

Total (1,270,163)

Net assets of governmental activities \$4,069,841

See accompanying notes to the basic financial statements

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**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>General</u>	<u>Miscellaneous State Grants</u>	<u>Instructional Programs Migrant</u>	<u>IDEA Part B Grants</u>
Revenues:				
From local sources:				
Tuition	\$1,653,886			
Earnings on investments	41,817			
Contract services	216,827			
Other local revenues	66,654			
Intergovernmental - Intermediate	80,000			
Intergovernmental - State	775,504	\$1,120,875		
Intergovernmental - Federal	57,576		\$226,732	\$1,616,173
Total revenues	<u>2,892,264</u>	<u>1,120,875</u>	<u>226,732</u>	<u>1,616,173</u>
Expenditures:				
Current:				
Instruction:				
Regular	125,539			
Special	768,875	384,961	77,856	
Adult/continuing	6,812			
Other	1,888			
Support services:				
Pupil	504,203		18,255	
Instructional staff	803,252	438,537	13,078	
Board of education	30,220			
Administration	176,676	35,933	18,336	
Fiscal	202,483	2,431		
Operations and maintenance	136,085			
Pupil transportation			34,866	
Central	2,330			
Operation of non-instructional services			8,142	
Intergovernmental pass-through				1,683,943
Debt service:				
Principal retirement	54,518			
Interest and fiscal charges	40,471			
Total expenditures	<u>2,853,352</u>	<u>861,862</u>	<u>170,533</u>	<u>1,683,943</u>
Net change in fund balances	38,912	259,013	56,199	(67,770)
Fund balances at beginning of year	558,806	12,802	52,626	69,577
Fund balances at end of year	<u>\$597,718</u>	<u>\$271,815</u>	<u>\$108,825</u>	<u>\$1,807</u>

See accompanying notes to the basic financial statements

<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$1,653,886
		41,817
		216,827
		66,654
	\$1,939	81,939
	295,866	2,192,245
<u>\$513,183</u>	<u>93,081</u>	<u>2,506,745</u>
<u>513,183</u>	<u>390,886</u>	<u>6,760,113</u>
118,491	71,460	315,490
1,354	39,277	1,272,323
	25,838	32,650
		1,888
54,831	64,376	641,665
166,633	138,519	1,560,019
		30,220
	5,782	236,727
2,000	8,826	215,740
	10,000	146,085
22,798	2,363	60,027
27,861	4,075	34,266
12,004	13,235	33,381
		1,683,943
		54,518
		40,471
<u>405,972</u>	<u>383,751</u>	<u>6,359,413</u>
107,211	7,135	400,700
20,900	28,104	742,815
<u>\$128,111</u>	<u>\$35,239</u>	<u>\$1,143,515</u>

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

Net change in fund balances - total governmental funds \$400,700

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$113,854) exceeded depreciation expense (\$97,022) in the current period. 16,832

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, sales, trade-ins, and donations) is to decrease net assets. (85,473)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (444,037)

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 54,518

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on the capital lease obligation. 162

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 6,642

Change in net assets of governmental activities (\$50,656)

See accompanying notes to the basic financial statements

EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$68,001
Receivables:	
Intergovernmental	<u>27,397</u>
Total assets	<u><u>\$95,398</u></u>
Liabilities:	
Accrued wages and benefits	\$3,216
Pension obligation payable	1,381
Due to other governments	<u>90,801</u>
Total liabilities	<u><u>\$95,398</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Putnam County Educational Service Center (the ESC) is the successor to the former Putnam County Board of Education. County Boards of Education were formed in Ohio as a result of the passage of Senate Bill 9 in 1914. In 1995, Am. Sub. H.B. 117 authorized the creation of Educational Service Centers and abolished county school districts. That legislation also changed the "Board of Education" to the "Governing Board". On July 1, 1995, the Putnam County Board of Education formally adopted these changes and thus became the "Governing Board of the Putnam County Educational Service Center".

The Governing Board consists of five members elected by the voters of the County. This Board acts as the authorizing body for expenditures, policies and procedures, and approves all financial activities. The ESC is staffed by 50 certified employees (including administrative) and 40 classified employees to provide services to approximately 6,392 students in 9 school districts throughout the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the ESC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The ESC also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The ESC's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the ESC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes general operations and preschool operations.

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organization's governing board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the ESC has no component units. The basic financial statements of the reporting entity include only those of the ESC (the primary government).

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The following organizations are described due to their relationship to the ESC:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The ESC is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. 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 school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio, 45804.

Millstream Career Cooperative

The Millstream Career Cooperative ("Millstream") is a distinct political subdivision of the State of Ohio established under Section 3313.90. Millstream operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to Michael Barnhart, Treasurer, Findlay City Schools, at 227 South West Street, Findlay, Ohio, 45840-3377.

The ESC also participates in a group purchasing pool for insurance, described in Note 10.

B. Fund Accounting

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Miscellaneous State Grants Fund - A special revenue fund used to account for various monies received from state agencies which are not classified elsewhere.

Instructional Programs-Migrant Children Fund - A special revenue fund used to account for instructional programs for children of migratory agricultural workers or migratory fishers to obtain a secondary school diploma, gain employment, be placed in other post-secondary education or training, or be placed in a facility of higher education.

IDEA Part B Grants Fund - A special revenue fund used to account for grant monies to assist states in providing an appropriate public education to all children with disabilities.

Miscellaneous Federal Grants Fund - A special revenue fund used to account for various monies received directly from the federal government, or from the federal government through State agencies, which are not classified in another special revenue fund.

Other governmental funds of the ESC are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for proprietary activities which are similar to those often found in the private sector. The ESC has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency fund accounts for monies held for other governmental entities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the ESC are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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 ESC, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the ESC 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Deferred Revenue - Deferred revenue arise 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 been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgets

There are no budgetary requirements for educational service centers identified in the Ohio Revised Code, nor does the State Department of Education specify any budgetary guidelines to be followed.

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

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Cash and Investments

To improve cash management, cash received by the ESC is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposits, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board, investment earnings are assigned to the General fund. Interest revenue credited to the General fund during fiscal year 2008 amounted to \$41,817, which includes \$8,838 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the ESC's investment account at year-end is provided in Note 4.

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2008, the ESC maintained its capitalization threshold at \$1,000. 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. The ESC does not possess infrastructure.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 10 years

H. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets. As of June 30, 2008, the ESC had \$19,048 of interfund receivables in the General fund and payable from the IDEA Part B Grants special revenue fund.

I. Compensated Absences

Compensated absences of the ESC consist of vacation leave and sick leave liability 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 ESC and the employee.

In accordance with the provisions of GASB Statement No. 16, “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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, 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.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

K. Fund Balance Reserves

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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 or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

M. Estimates

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Interfund Activity

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

O. 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 Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the ESC 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 ESC; however, certain disclosures related to postemployment benefits (see Note 12) have been modified to conform to the new reporting requirements.

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 and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the ESC.

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 ESC.

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Management Information System	\$5
Alternative Schools	68
Juvenile Justice	7
IDEA Preschool-Handicapped	45

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The General fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool.

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

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

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all ESC deposits was \$1,508,177. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$408,533 of the ESC's bank balance of \$2,051,822 was covered by the Federal Deposit Insurance Corporation, while \$1,643,289 was exposed to custodial risk as discussed below.

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

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the ESC to a successful claim by the FDIC.

B. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and Investments per Note Disclosure:</u>	
Carrying amount of deposits	<u>\$1,508,177</u>
<u>Cash and Investments per Statement of Net Assets:</u>	
Governmental activities	\$1,440,176
Agency funds	68,001
Total	<u>\$1,508,177</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2008, consisted of the following interfund loans receivable and payable, as reported in the fund financial statements:

<u>Interfund Loans Receivable in the General Fund:</u>	<u>Amount</u>
IDEA Part B Grants	\$19,048

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the Statement of Net Assets.

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

NOTE 6 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of state programs and the current year guarantee of federal funds. A summary of the receivables reported on the Statement of Net Assets is as follows:

<u>Governmental activities:</u>	
Accounts	\$9,636
Intergovernmental	339,675
Accrued interest	<u>7,056</u>
Total	<u><u>\$356,367</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 7 - CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance 07/01/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$156,000			\$156,000
<i>Total capital assets, not being depreciated</i>	<u>156,000</u>			<u>156,000</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	3,938,690	\$90,000		4,028,690
Equipment and furniture	767,706	23,854	(\$131,847)	659,713
Vehicles	25,087			25,087
<i>Total capital assets, being depreciated</i>	<u>4,731,483</u>	<u>113,854</u>	<u>(131,847)</u>	<u>4,713,490</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(155,819)	(53,298)		(209,117)
Equipment and furniture	(540,939)	(41,215)	46,374	(535,780)
Vehicles	(9,394)	(2,509)		(11,903)
<i>Total accumulated depreciation</i>	<u>(706,152)</u>	<u>(97,022)</u>	<u>46,374</u>	<u>(756,800)</u>
Governmental activities capital assets, net	<u><u>\$4,181,331</u></u>	<u><u>\$16,832</u></u>	<u><u>(\$85,473)</u></u>	<u><u>\$4,112,690</u></u>

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

NOTE 7 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$2,569
Special	19,846
<u>Support Services:</u>	
Pupil	3,093
Instructional staff	16,645
Administration	6,452
Fiscal	1,072
Operations and maintenance	<u>47,345</u>
Total depreciation expense	<u><u>\$97,022</u></u>

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the ESC entered into lease agreements for a building and copiers. The terms of these lease agreements provide options to purchase the assets. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting For Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures on the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Governmental capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum payments as of the dates of their inception. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the Statement of Net Assets. During fiscal year 2008, principal payments equaled \$54,518 and interest payments equaled \$40,471. These amounts are reflected as debt service expenditures in the fund financial statements.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2008:

<u>Year Ending June 30,</u>	<u>Payments</u>
2009	\$78,289
2010	73,345
2011	58,513
2012	58,513
2013	58,513
2014 - 2018	292,565
2019 - 2023	292,565
2024 - 2026	<u>146,283</u>
Total future minimum lease payments	1,058,586
Less: amount representing interest	<u>(314,697)</u>
Present value of future minimum lease payments	<u><u>\$743,889</u></u>

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

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in the ESC's governmental activities long-term obligations during the year were as follows:

<u>Governmental Activities:</u>	Balance 07/01/07	Increases	Decreases	Balance 06/30/08	Amounts Due in One Year
Capital lease obligation	\$798,407		(\$54,518)	\$743,889	\$45,700
Compensated absences	529,924	\$50,666	(57,308)	523,282	151,190
Total long-term obligations	<u>\$1,328,331</u>	<u>\$50,666</u>	<u>(\$111,826)</u>	<u>\$1,267,171</u>	<u>\$196,890</u>

Compensated absences will be paid out of the fund from which the employee is paid, which is primarily the General fund. See Note 8 regarding the capital lease obligation.

NOTE 10 - RISK MANAGEMENT

A. Risk Pool Membership

The ESC is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the ESC's policy. SORSA covers the following risks:

- General Liability
- Commercial Liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Commercial Umbrella
- Vehicle

The ESC contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The ESC's contributions cover deductible losses, loss fund contributions, insurance costs, and administrative costs.

The ESC paid \$9,529 in premiums to the pool for fiscal year 2008 coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio, 43235-6483

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

NOTE 10 - RISK MANAGEMENT – (Continued)

B. Employee Group Health, Dental and Prescription Drugs

The ESC participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Trust. The ESC converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claims review and processing. The ESC maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

C. Workers' Compensation

For fiscal year 2008, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The ESC 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 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE 11 - PENSION PLANS – (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$95,013, \$122,061, and \$122,692, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006. There is no unpaid contribution for fiscal year 2008, and there is no liability recorded within the respective funds.

B. State Teachers Retirement System of Ohio

Plan Description - ESC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at 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 a member's lifetime 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTE 11 - PENSION PLANS – (Continued)

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$325,755, \$338,464, and \$343,158, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006. There is no unpaid contribution for fiscal year 2008, and there is no liability recorded within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2008 were \$3,611 made by the ESC and \$3,721 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, three members of the Board of Education have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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.

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 \$35,800.

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

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

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 ESC's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$67,023, \$37,944, and \$57,254, respectively; 100 percent has been contributed for fiscal years 2008, 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 fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$6,846, \$7,772, and \$9,045, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

B. State Teachers Retirement System of Ohio

The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 or by calling (888) 227-7877.

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 ESC's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$25,058, \$26,036, and \$26,397, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

NOTE 13 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition	\$1,601,567	\$1,532,661	\$1,653,185	\$120,524
Contract services	210,058	201,020	216,827	15,807
Earnings on investments	39,901	38,184	41,187	3,003
Other local revenues	77,153	73,834	79,640	5,806
Intergovernmental - Intermediate	77,503	74,168	80,000	5,832
Intergovernmental - State	751,291	718,967	775,504	56,537
Intergovernmental - Federal	55,779	53,379	57,576	4,197
Total revenues	<u>2,813,252</u>	<u>2,692,213</u>	<u>2,903,919</u>	<u>211,706</u>
Expenditures:				
Current:				
Instruction:				
Regular	160,177	160,927	124,592	36,335
Special	996,013	1,000,678	774,740	225,938
Other	11,237	11,290	8,741	2,549
Support services:				
Pupil	639,187	642,181	497,186	144,995
Instructional staff	1,012,910	1,017,654	787,884	229,770
Board of education	40,079	40,267	31,175	9,092
Administration	257,893	259,101	200,600	58,501
Fiscal	259,573	260,789	201,907	58,882
Operations and maintenance	274,820	276,107	213,766	62,341
Central	11,995	12,051	9,330	2,721
Total expenditures	<u>3,663,884</u>	<u>3,681,045</u>	<u>2,849,921</u>	<u>831,124</u>
Net change in fund balance	(850,632)	(988,832)	53,998	1,042,830
Fund balance at beginning of year	1,004,388	1,004,388	1,004,388	
Prior year encumbrances appropriated	37,554	37,554	37,554	
Fund balance at end of year	<u><u>\$191,310</u></u>	<u><u>\$53,110</u></u>	<u><u>\$1,095,940</u></u>	<u><u>\$1,042,830</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - State		\$1,120,875	\$1,081,203	(\$39,672)
Expenditures:				
Current:				
Instruction:				
Special	\$6,164	507,686	389,928	117,758
Support services:				
Instructional staff	6,924	570,190	437,933	132,257
Administration	569	46,872	36,000	10,872
Fiscal	18	1,506	1,157	349
Total expenditures	<u>13,675</u>	<u>1,126,254</u>	<u>865,018</u>	<u>261,236</u>
Excess of revenues over (under) expenditures	<u>(13,675)</u>	<u>(5,379)</u>	<u>216,185</u>	<u>221,564</u>
Other financing (uses):				
Refund of prior year receipts	<u>(99)</u>	<u>(8,175)</u>	<u>(6,279)</u>	<u>1,896</u>
Net change in fund balance	(13,774)	(13,554)	209,906	223,460
Fund balance at beginning of year	10,556	10,556	10,556	
Prior year encumbrances appropriated	<u>3,218</u>	<u>3,218</u>	<u>3,218</u>	
Fund balance at end of year	<u><u> </u></u>	<u><u>\$220</u></u>	<u><u>\$223,680</u></u>	<u><u>\$223,460</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$263,111	\$277,948	\$173,365	(\$104,583)
Expenditures:				
Current:				
Instruction:				
Special	120,907	127,333	95,024	32,309
Support services:				
Pupil	24,756	26,072	19,595	6,477
Instructional staff	16,840	17,735	13,329	4,406
Administration	22,812	24,025	18,056	5,969
Operations and maintenance	6,317	6,653	5,000	1,653
Pupil transportation	69,308	72,992	46,646	26,346
Operation of non-instructional services	18,196	19,163	14,402	4,761
Total expenditures	<u>279,136</u>	<u>293,973</u>	<u>212,052</u>	<u>81,921</u>
Net change in fund balance	(16,025)	(16,025)	(38,687)	(22,662)
Fund deficit at beginning of year	(12,300)	(12,300)	(12,300)	
Prior year encumbrances appropriated	<u>28,325</u>	<u>28,325</u>	<u>28,325</u>	
Fund balance (deficit) at end of year	<u><u> </u></u>	<u><u> </u></u>	<u><u>(\$22,662)</u></u>	<u><u>(\$22,662)</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$1,647,057	\$1,631,410	\$1,592,400	(\$39,010)
Expenditures:				
Current:				
Instruction:				
Regular	6,840	6,840	6,840	
Special	746,913	746,913	761,281	(14,368)
Support services:				
Pupil	483,153	483,153	462,875	20,278
Instructional staff	404,096	404,096	404,096	
Administration	1,000	1,000	1,000	
Fiscal	18,131	18,131	18,131	
Operation of non-instructional services	44,373	44,373	44,373	
Total expenditures	<u>1,704,506</u>	<u>1,704,506</u>	<u>1,698,596</u>	<u>5,910</u>
Net change in fund balance	(57,449)	(73,096)	(106,196)	(33,100)
Fund balance at beginning of year	53,955	53,955	53,955	
Prior year encumbrances appropriated	19,141	19,141	19,141	
Fund balance (deficit) at end of year	<u>\$15,647</u>	<u></u>	<u>(\$33,100)</u>	<u>(\$33,100)</u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$636,516	\$607,564	\$483,846	(\$123,718)
Expenditures:				
Current:				
Instruction:				
Regular	171,328	193,537	187,113	6,424
Special	1,770	2,000	1,354	646
Support services:				
Pupil	66,285	74,878	55,891	18,987
Instructional staff	224,066	253,111	223,638	29,473
Fiscal	1,886	2,130	2,000	130
Pupil transportation	22,662	25,600	24,213	1,387
Central	26,990	30,489	28,351	2,138
Operation of non-instructional services	17,651	19,939	20,026	(87)
Total expenditures	<u>532,638</u>	<u>601,684</u>	<u>542,586</u>	<u>59,098</u>
Net change in fund balance	103,878	5,880	(58,740)	(64,620)
Fund deficit at beginning of year	(33,259)	(33,259)	(33,259)	
Prior year encumbrances appropriated	<u>27,379</u>	<u>27,379</u>	<u>27,379</u>	
Fund balance (deficit) at end of year	<u>\$97,998</u>	<u>\$97,998</u>	<u>(\$64,620)</u>	<u>(\$64,620)</u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE A - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

Net Change in Fund Balance

	General	Miscellaneous State Grants	Instructional Programs - Migrant Children	IDEA Part B Grants	Miscellaneous Federal Grants
Budget basis	\$53,998	\$209,906	(\$38,687)	(\$106,196)	(\$58,740)
Net adjustment for revenue accruals	(11,655)	39,672	53,367	23,773	29,337
Net adjustment for expenditure accruals	(24,604)	(14,496)	(1,736)	601	22,270
Net adjustment for other sources/uses		6,279			
Adjustment for encumbrances	21,173	17,652	43,255	14,052	114,344
GAAP basis	<u>\$38,912</u>	<u>\$259,013</u>	<u>\$56,199</u>	<u>(\$67,770)</u>	<u>\$107,211</u>

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

FEDERAL GRANTOR <i>Pass through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Department of Youth Services</i>			
Juvenile Justice and Delinquency Prevention Grant	16.540	\$18,139	\$19,994
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Public Safety</i>			
State and Community Highway Safety	20.600	26,846	20,214
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Twenty-First Century Community Learning Centers	84.287	305,815	245,054
Adult Education - State Grant Program	84.002	35,581	31,426
Migrant Education - Basic State Grant Program	84.011	173,365	168,797
<u>Special Education Cluster</u>			
Special Education - Grants to States	84.027	1,592,400	1,684,545
Special Education - Preschool Grant	84.173	29,016	29,016
Total Special Education Cluster		<u>1,621,416</u>	<u>1,713,561</u>
LEP Consortium Grant	84.365	10,245	10,245
Even Start - State Educational Agencies	84.213	20,511	22,331
Total Department of Education		<u>2,166,933</u>	<u>2,191,414</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES			
<i>Passed Through Ohio Department of Education</i>			
Learn and Serve America - School and Community Based Programs	94.004	11,657	11,562
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Medical Assistance Program (CAFS)	93.778	57,576	
Direct Assistance			
Drug Free Communities Support Program Grants	93.276	90,000	100,967
Total Department of Health and Human Services		<u>147,576</u>	<u>100,967</u>
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Putnam County Jobs and Family Services</i>			
Workforce Investment Act Youth Activities	17.259	49,529	50,445
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u><u>\$2,420,680</u></u>	<u><u>\$2,394,596</u></u>

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the ESC contribute non-Federal funds (matching funds) to support the Federally-funded programs. The ESC has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C – MEDICAL ASSISTANCE PROGRAM

The Ohio Department of Jobs and Family Services conducted a final review of the Medical Assistance Program, CFDA #93.778, administered by the Ohio Department of Mental Retardation and Developmental Disabilities on behalf of the ESC for the period July 1, 2000, through June 30, 2003. The review resulted in a payment to the ESC in the amount of \$57,576. This payment is for services rendered prior to June 30, 2007, and therefore the cost of those services is not reported as a disbursement on the FY 2008 Schedule.



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*

Educational Service Center
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875-8657

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Putnam County Educational Service Center, Putnam County, Ohio (the ESC) as of and for the year ended June 30, 2008, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated January 29, 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 ESC's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the ESC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ESC's internal control over financial reporting.

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

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 ESC'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 ESC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2008-001.

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www.auditor.state.oh.us

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted a certain internal control matter that we reported to the ESC's management in a separate letter dated January 29, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the ESC'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*.

The ESC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the ESC'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, the Governing Board, 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 29, 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

Educational Service Center
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875-8657

To the Governing Board:

Compliance

We have audited the compliance of the Putnam County Educational Service Center, Putnam County, Ohio (the ESC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the ESC's major federal programs. The ESC'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 ESC'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 ESC'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 ESC's compliance with those requirements.

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

Internal Control Over Compliance

The ESC'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 ESC'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 ESC's internal control over compliance.

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 entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the ESC's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, the Governing Board, 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 29, 2009

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2008-001

Material Weakness

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements accurately reflects the ESC's activity.

The 2008 financial statements contained material errors, such as the following:

- Errors in the Migrant Fund grant receivable calculation resulted in overstating Deferred Revenue by \$125,978, overstating Intergovernmental Receivables by \$32,970 and understating Intergovernmental Revenues by \$93,008.
- Capital Assets and Investment in Capital Assets were understated by a 2008 building purchase which was not posted to the capital asset system in the amount of \$90,000.

Eleven adjusting entries ranging in amounts from \$675 to \$125,978 were posted to the financial statements to correct these and other errors.

To ensure the ESC's financial statements and notes to the statements are complete and accurate, the Governing Board should adopt policies and procedures, including a final review of the financial statements, management's discussion and analysis, and notes to the financial statements by the ESC Treasurer and the Governing Board, to identify and correct errors and omissions.

Officials' Response

The Migrant Fund errors are a result of an error with the Independent Public Accountant (IPA) GAAP Conversion, unfortunately there is not enough time between receiving the documents from the IPA firm and the audit to review the documents for accuracy. An attempt will be made in future years to review the information before giving it to the auditors for our audit.

The Capital Assets error was a lease purchase agreement on our Alternative School building which we missed reporting the building after our last \$1.00 payment in June of 2008. It was put on Capital Assets the following year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

EDUCATIONAL SERVICE CENTER
PUTNAM 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; <i>Explain</i>
2007-001	Financial Reporting recommendation for amounts on report not properly classified.	No	Finding has not been corrected and is repeated in this report as item 2008-001.



Mary Taylor, CPA
Auditor of State

EDUCATIONAL SERVICE CENTER

PUTNAM 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
FEBRUARY 17, 2009