Clermont County Educational Service Center

Clermont County

Regular Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008

bhs

Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639

Mary Taylor, CPA
Auditor of State

Clermont Educational Service Center
2400 Clermont Center Drive
Batavia, Ohio 45103

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 16, 2009

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Clermont County Educational Service Center
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For the Fiscal Year Ended June 30, 2008

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Independent Auditor's Report

Clermont County Educational Service Center
Clermont County
2400 Clermont Center Drive
Batavia, Ohio 45103

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Center, 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 23, 2009, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of the 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 discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are 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 methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on them.

As described in Note 3, the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB statement No. 25 and No. 27* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

January 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2008 by $4,092,300.

- The Center's net assets of governmental activities increased $376,482.

- General revenues accounted for $1,552,097 in revenue or 9 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for $16,092,669 or 91 percent of total revenues of $17,644,766.

- The Center had $17,268,284 in expenses related to governmental activities; $16,092,669 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's 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 the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net assets and changes to those assets. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. All of the Center's programs and services are reported here including instruction and support services.

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 7. Fund financial statements provide detailed information about the Center's major fund – not the Center as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major fund is the General Fund.

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

THE CENTER AS A WHOLE

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

Table 1
Net Assets
Governmental Activities

	2008	2007*
Assets:		
Current Assets	$ 6,618,196	$ 5,960,062
Capital Assets, Net	154,632	155,952
Total Assets	6,772,828	6,116,014
Liabilities:		
Current and Other Liabilities	2,356,269	2,073,145
Long-Term Liabilities	324,259	327,051
Total Liabilities	2,680,528	2,400,196
Net Assets:		
Invested in Capital Assets	154,632	155,952
Restricted	-	9,903
Unrestricted	3,937,668	3,549,963
Total Net Assets	$ 4,092,300	$ 3,715,818

*As restated. See Note 19 to the basic financial statements.

Total net assets of the Center as a whole increased $376,482. The increase in current assets was primarily the result an increase in accounts receivable due to payments for services performed prior to June 30, 2008 which were not received prior to the fiscal year end. The increase in current liabilities was primarily the result of an increase in accrued wages and benefits and accounts payable, which increased significantly due to increased number of employees, pay increases, and rent expense, respectively.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

Table 2
Changes in Net Assets
Governmental Activities

	2008	2007*
Revenues		
Program Revenues:		
Charges for Services and Sales	$ 14,727,927	$ 12,023,161
Operating Grants and Contributions	1,364,742	1,387,900
Total Program Revenues	16,092,669	13,411,061
General Revenues:		
Grants and Entitlements	1,262,860	1,130,345
Gifts and Donations	40,593	43,350
Investment Earnings	187,009	242,541
Miscellaneous	61,635	55,763
Total General Revenues	1,552,097	1,471,999
Total Revenues	17,644,766	14,883,060
Program Expenses		
Instruction:		
Regular	267,304	245,855
Special	5,814,271	5,310,134
Adult/Continuing	83,709	140,809
Support Services:		
Pupils	4,270,669	3,810,081
Instructional Staff	5,694,036	5,104,784
Board of Education	318,463	171,000
Administration	471,953	454,393
Fiscal	272,298	266,788
Central	16,633	14,482
Operation of Non-Instructional Services	58,948	52,538
Total Expenses	17,268,284	15,570,864
Increase in Net Assets	376,482	(687,804)
Net Assets at Beginning of Year	3,715,818	4,403,622
Net Assets at End of Year	$ 4,092,300	$ 3,715,818

*As restated. See Note 19 to the basic financial statements.

The increase in revenue received for charges for services and sales was due to the Center having higher special education program receipts from member school districts in 2008 than in 2007. The increase in expenditures for special instruction and support services for pupils and instructional staff were due to additional employees, salary increases, and an increase in health care expenditures.

Governmental Activities

Charges for services and sales comprised 83 percent of revenue for governmental activities, while operating grants and contributions comprised 8 percent of revenue for governmental activities of the Center for fiscal year 2008.

As indicated by governmental program expenses, instruction and support services for the benefit of the pupils are emphasized. Special instruction comprised 34 percent of governmental program expenses with support services for instructional staff comprising 33 percent of governmental expenses and support services for pupils comprising 25 percent of government expenses.

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

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2008		2007*	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 6,165,284	$ (58,701)	$ 5,696,798	$ 643,558
Support Services	11,044,052	1,229,837	9,821,528	1,518,278
Operation of Non-Instructional Services	58,948	4,479	52,538	(2,033)
Total Expenses	$ 17,268,284	$ 1,175,615	$ 15,570,864	$ 2,159,803

*As restated. See Note 19 to the basic financial statements.

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of $17,670,977 and expenditures of $17,269,756. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by $415,382. This increase was primarily due to an increase in contract service receipts for special education services provided to member school districts, which was partially offset by increases in special instruction, pupils support services, and instructional staff support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2008, the Center had $154,632 invested in its capital assets. Table 4 shows the fiscal year 2008 balances compared to 2007.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2008	2007
Furniture and Equipment	$154,632	$155,952
Totals	$154,632	$155,952

Changes in capital assets from the prior year resulted from the addition of equipment items, the disposal of several fully depreciated assets, and depreciation expense. See Note 5 of the notes to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2008, the Center did not have any outstanding debt obligations. For information regarding other long term obligations, please see Note 6 of the notes to the basic financial statements.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Al Fleckinger, Treasurer, Clermont County Educational Service Center, 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

Clermont County Educational Service Center
Statement of Net Assets
June 30, 2008

		Governmental Activities
ASSETS:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$	5,452,417
Accounts Receivable		1,147,047
Intergovernmental Receivable		18,732
Noncurrent Assets:		
Depreciable Capital Assets, net		154,632
Total Assets		6,772,828
LIABILITIES:		
Current Liabilities:		
Accounts Payable		204,205
Accrued Wages and Benefits		1,563,918
Intergovernmental Payable		563,874
Matured Compensated Absences Payable		24,272
Noncurrent Liabilities:		
Long-Term Liabilities:		
Due Within One Year		47,650
Due in More Than One Year		276,609
Total Liabilities		2,680,528
NET ASSETS:		
Invested in Capital Assets		154,632
Unrestricted		3,937,668
Total Net Assets	$	4,092,300

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

Clermont County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction:				
Regular	$ 267,304	$ 190,843	$ 35,401	$ (41,060)
Special	5,814,271	5,147,138	753,836	86,703
Adult/Continuing	83,709	17,121	79,646	13,058
Support Services:				
Pupils	4,270,669	3,561,842	229,992	(478,835)
Instructional Staff	5,694,036	4,840,649	212,206	(641,181)
Board of Education	318,463	284,152	-	(34,311)
Administration	471,953	425,586	-	(46,367)
Fiscal	272,298	244,789	-	(27,509)
Central	16,633	14,999	-	(1,634)
Operation of Non-Instructional Services	58,948	808	53,661	(4,479)
Total Governmental Activities	$ 17,268,284	$ 14,727,927	$ 1,364,742	(1,175,615)
	General Revenues:			
	Grants and Entitlements not Restricted to Specific Programs			1,262,860
	Gifts and Donations not Restricted to Specific Programs			40,593
	Investment Earnings			187,009
	Miscellaneous			61,635
	Total General Revenues			1,552,097
	Change in Net Assets			376,482
	Net Assets Beginning of Year - As Restated			3,715,818
	Net Assets End of Year			$ 4,092,300

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

Clermont County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	$ 5,409,562	$ 42,855	$ 5,452,417
Accounts Receivable	1,147,047	-	1,147,047
Interfund Receivable	7,325	-	7,325
Intergovernmental Receivable	11,407	7,325	18,732
Total Assets	$ 6,575,341	$ 50,180	$ 6,625,521
LIABILITIES:			
Accounts Payable	$ 203,987	$ 218	$ 204,205
Accrued Wages and Benefits	1,514,434	49,484	1,563,918
Interfund Payable	-	7,325	7,325
Intergovernmental Payable	555,242	8,632	563,874
Matured Compensated Absences Payable	24,272	-	24,272
Total Liabilities	2,297,935	65,659	2,363,594
FUND BALANCES:			
Reserved:			
Reserved for Encumbrances	90,982	2,617	93,599
Unreserved, Undesignated, Reported in:			
General Fund	4,186,424	-	4,186,424
Special Revenue Funds	-	(18,096)	(18,096)
Total Fund Balances	4,277,406	(15,479)	4,261,927
Total Liabilities and Fund Balances	$ 6,575,341	$ 50,180	$ 6,625,521

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

Clermont County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total Governmental Fund Balances	$	4,261,927
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.		154,632
Long-term liabilities, including the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences		(324,259)
Net Assets of Governmental Activities	$	4,092,300

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

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

	General Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Intergovernmental	$ 2,016,241	$ 637,572	$ 2,653,813
Interest	187,009	-	187,009
Contract Services	14,455,561	-	14,455,561
Gifts and Donations	40,593	-	40,593
Charges for Services and Sales	263,148	9,218	272,366
Miscellaneous	61,635	-	61,635
Total Revenues	17,024,187	646,790	17,670,977
EXPENDITURES:			
Current:			
Instruction:			
Regular	216,788	38,889	255,677
Special	5,801,488	500	5,801,988
Adult/Continuing	17,655	87,494	105,149
Support Services:			
Pupils	4,031,499	252,653	4,284,152
Instructional Staff	5,456,626	232,467	5,689,093
Board of Education	315,110	-	315,110
Administration	472,838	-	472,838
Fiscal	270,168	-	270,168
Central	16,633	-	16,633
Operation of Non-Instructional Services	-	58,948	58,948
Total Expenditures	16,598,805	670,951	17,269,756
Excess of Revenues Over (Under) Expenditures	425,382	(24,161)	401,221
OTHER FINANCING SOURCES AND USES:			
Transfers In	-	10,000	10,000
Transfers Out	(10,000)	-	(10,000)
Total Other Financing Sources and Uses	(10,000)	10,000	-
Net Change in Fund Balances	415,382	(14,161)	401,221
Fund Balance (Deficit) at Beginning of Year - As Restated	3,862,024	(1,318)	3,860,706
Fund Balance (Deficit) at End of Year	$ 4,277,406	$ (15,479)	$ 4,261,927

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

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

Net Change in Fund Balances - Total Governmental Funds		$ 401,221
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 depreciation was exceeded by capital outlays in the current period.		
Capital Asset Additions	45,555	
Current Year Depreciation	(36,625)	
Total		8,930
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.		
Loss on Disposal of Capital Assets		(10,250)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(26,211)	
Total		(26,211)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Decrease in Compensated Absences	2,792	
Total		2,792
Net Change in Net Assets of Governmental Activities		$ 376,482

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

NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

Description of the Entity:

The Center is a Governing Board of an Educational Service Center as defined by Am. Sub. H.B. 117, 121st General Assembly. The Center is an administrative entity providing supervision and certain other services to the local school districts located within Clermont County. It currently operates under an elected Board of Education (5 members) and provides special education to handicapped students. The Center has its own fiscal officer and is considered a separate entity and issues its financial statements.

Reporting Entity:

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the Center, this includes general operations.

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2008, the Center had no component units.

The Center is associated with one jointly governed organization, one public entity risk pool, and one insurance purchasing pool. These organizations are discussed in Note 11, Note 12, and Note 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:
Hamilton/Clermont Cooperative Association

Public Entity Risk Pool:
Clermont County Health Consortium

Insurance Purchasing Pool:
Ohio School Boards Association Workers' Compensation Group Rating Plan

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clermont County Educational Service Center (Center) 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 Center's significant accounting policies are described below:

<u>A. Fund Accounting</u>

The Center uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Fund Types:

Governmental funds are those through which all governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following is the Center's major governmental fund:

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants 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 Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The modified accrual basis is utilized for reporting purposes by the governmental fund types. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, grants, tuition and fees.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Fees for contractual services, provided by the Center, received, but not earned, are recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period are also reported as deferred revenue.

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

D. Cash and Cash Equivalents

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2008, investments were limited to STAR Ohio and repurchase agreements. Except for nonparticipating investment contracts, investments are recorded at fair value that is based upon quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to $187,009.

For presentation on the 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 Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets 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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of $2,000. The Center does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Furniture and Equipment	5-10 years

F. Intergovernmental Revenues

In governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the funding is available.

G. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. During the course of normal operations the Center had transactions between funds. The most significant include routine transfers of resources, from one fund to another fund, through which resources to be expended are recorded as operating transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers within governmental activities are eliminated in the statement of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

H. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.

2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 20 years of current service with the Center and for certified employees and administrators after 20 years of service.

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

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

I. 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, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, special termination benefits 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 in the current year. The Center had long-term obligations at June 30, 2008 as disclosed in Note 6.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances. The unreserved, undesignated portions of fund balance reflected for governmental funds are available for use within the specific purpose of those funds.

L. Estimates

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

M. Interfund Receivables/Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

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

NOTE 4 - DEPOSITS AND INVESTMENTS

The Center maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents." State statutes classify monies held by the Center into three categories.

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

Inactive deposits are public deposits that the Center 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.

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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 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;

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 or other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this 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 Treasurer's investment pool (STAROhio);

8. Securities lending agreements in which the Center lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed five percent of the Center’s total average portfolio; and

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Center’s total average portfolio.

Protection of the Center’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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 Center, and must be purchased with the expectation that it will be held to maturity.

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

As of June 30, 2008, the Center's bank balance of $130,501 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments The Center had the following investments at June 30, 2008:

	Fair Value	Weighted Average Maturity (Yrs.)
STAR Ohio	$ 2,177,675	<1
Repurchase Agreement	3,332,489	<1
Total Fair Value	$ 5,510,164	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the Center manages it exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investment policy does not address credit risk beyond the requirements of state law. The Center limits their investments to STAR Ohio and repurchase agreements. Investments in STAR Ohio were rated AAAm by Standard & Poor's. Investments in repurchase agreements were unrated.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Center's investment policy allows investments in STAR Ohio, repurchase agreements, certificates of deposit or within financial institutions within the State of Ohio as designated by the Federal Reserve Board. The Center has invested 40 percent in STAR Ohio and 60 percent in repurchase agreements.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center's investment policy does not address custodial credit risk beyond the requirements of state law. All of the Center's securities are either insured and registered in the name of the Center or at least registered in the name of the Center, other than the Center's repurchase agreement which is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the Center's name.

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance 6/30/2007	Additions	Deletions	Ending Balance 6/30/2008
Governmental Activities:				
Capital Assets Being Depreciated				
Furniture and Equipment	$548,656	$45,555	($239,519)	$354,692
Total Capital Assets, Being Depreciated				
Less Accumulated Depreciation:				
Furniture and Equipment	(392,704)	(36,625)	229,269	(200,060)
Total Accumulated Depreciation				
Total Capital Assets Being Depreciated, Net	155,952	8,930	(10,250)	154,632
Governmental Activities Capital Assets, Net	$155,952	$8,930	($10,250)	$154,632

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	$1,377
Special Instruction	8,683
Adult/Continuing Instruction	1,661
Support Services:	
Instructional Staff	20,711
Board of Education	3,353
Fiscal	840
Total Depreciation Expense	$36,625

NOTE 6 - LONG-TERM LIABILITIES

The changes in the Center's long-term liabilities during fiscal year 2008 were as follows:

	Balance at 6/30/2007	Increase	Decrease	Balance at 6/30/2008	Amount Due In One Year
Compensated Absences	$ 327,051	$ 324,259	$ 327,051	$ 324,259	$ 47,650
Total Long-Term Liabilities	$ 327,051	$ 324,259	$ 327,051	$ 324,259	$ 47,650

Compensated absences will be paid from the fund from which the employees' salaries are paid with the General fund being the most significant fund.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Center's contributions to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $361,858, $353,726, and $360,379, respectively; 48% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. $181,498 represents the unpaid contribution for fiscal year 2008.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

For the fiscal years ended June 30, 2008, 2007, and 2006, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for all three years. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were $925,438, $879,415, and $828,507, respectively; 84% has been contributed for the fiscal year 2008 and 100% for the fiscal year 2007 and 2006. $144,076 represents the unpaid contribution for fiscal year 2008 and is recorded as a liability within the respective funds.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

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

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

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

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled $70,455, $67,013, and $63,471 for fiscal years 2008, 2007, and 2006, respectively.

B. School Employees Retirement System

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

Medicare Part B Plan

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2008, 2007, and 2006, the actuarially required allocations were 0.66 percent, 0.68 percent, and 0.78 percent, respectively. The Center's contributions for the fiscal years ended June 30, 2008, 2007, and 2006 were $24,452, $17,181, and $20,078, respectively, which equaled the required contributions for the years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

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

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, 2007, and 2006, the health care allocations were 4.18 percent, 3.32 percent, and 3.42 percent, respectively. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. For the Center, the amounts contributed to fund health care benefits, including the surcharge, during the 2008, 2007, and 2006 fiscal years equaled $167,750, $163,525, and $159,724, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at $35,800.

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

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

NOTE 9 – OPERATING LEASE

The Center rents office space from the Clermont County Commissioners. The lease covers the period from July 1, 2007 through June 30, 2008. This lease has the option of a renewal for two subsequent years. The total rent paid for fiscal year 2008 was $100,922.

NOTE 10- RISK MANAGEMENT

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

During fiscal year 2008, the Center contracted with Citizens Insurance for general property insurance. The coverage has a $1,000 deductible with a $1,000,000 limit of insurance.

Professional liability is protected by The Ohio School Plan with $1,000,000 each occurrence, $3,000,000 aggregate limit. The Center also has an excess liability insurance policy with $2,000,000 each occurrence, $2,000,000 aggregate.

Vehicles are covered by Erie Insurance Company with a $500 deductible for comprehensive and a $500 deductible for collision.

Public officials bond insurance is provided by Travelers Casualty. The Treasurer, Assistant Treasurer and Accounts Payable Clerk are covered by bonds in the amount of $25,000 each.

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

NOTE 10- RISK MANAGEMENT (Continued)

For fiscal year 2008, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating entities is calculated as one experience and a common premium rate is applied to all entities in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to entities that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The Center is a member of the Clermont County Health Consortium, a public entity shared risk pool (Note 12), consisting of a number of school districts and an educational service center within the County offering health, dental, life and/or other insurance benefits to their employees. During fiscal year 2008, monthly premiums were paid to the Clermont County Health Consortium, who paid the claims on the Center's behalf. Effective July 1, 2008 monthly premiums are paid to the Clermont County Educational Service Center, as fiscal agent for the Clermont County Health Consortium, who in turns pays the claims on the Center's behalf. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, the Center shall have no obligation under the plan beyond paying a withdrawal fee in an amount equal to two months' premiums at the Center's then current rates. However, notification of termination from the Consortium must be at least one hundred eighty days prior to the July 1 anniversary date of the Consortium's health plan. Any claims and expenses through the anniversary date of the Consortium's health plan shall be paid from the funds of the Consortium.

NOTE 11 - JOINTLY GOVERNED ORGANIZATION

Hamilton/Clermont Cooperative Association - The Center is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 38 public school districts, educational service centers, community schools, and higher education institutes within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal distress that may cause an additional financial burden on members in the future. The Center paid H/CCA $14,173 for services provided during the year. Financial information can be obtained from the fiscal agent, Hamilton County Educational Service Center, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 12 - PUBLIC ENTITY SHARED RISK POOL

Clermont County Health Consortium - The Center is a member of the Clermont County Health Consortium, a public entity shared risk pool. A number of Clermont County school districts and the Clermont County Educational Service Center have entered into an agreement to form the Clermont County Health Consortium. The overall objectives of the Consortium are to formulate and administer a program of health, dental, life and/or other insurance benefits for the Consortium members' employees and their dependents. The Consortium's business and affairs are managed by a Board of Directors, consisting of the superintendents (or their designee) from each of the participating school districts and the educational service center.

NOTE 12 - PUBLIC ENTITY SHARED RISK POOL (Continued)

The Center pays premiums based on what the Consortium estimates will cover the costs of all claims for which the Consortium is obligated. If the Center's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the Center's claims are low, it will not receive a refund. The Consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the current fiscal agent, Clermont County Educational Service Center at 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

NOTE 13 - INSURANCE PURCHASING POOL

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

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The Center is not party to legal proceedings.

NOTE 15 - RECEIVABLES

Receivables at June 30, 2008, consisted of accounts (rent, billings for user charged services, and student fees), interfund and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

Major Fund	
General	$11,407
Non-major Fund	
Ohio Systematic Initiative	7,325
Total All Funds	$18,732

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2008, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivable	Interfund Payable
Major Fund		
General	$ 7,325	$ -
Non-Major Fund		
Food Service	-	7,325
Total Non-Major Fund	-	7,325
Total	$ 7,325	$ 7,325

The General Fund made advances to the Food Service Fund in anticipation of grant monies to be received by the fund.

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

Fund	Transfer From	Transfer To
Major Fund		
General	$ 10,000	$ -
Non-Major Fund		
Food Service	-	10,000
Total Non-Major Fund	-	10,000
Total	$ 10,000	$ 10,000

Transfers were made from the General Fund to move unrestricted balances to support programs and projects accounted for in other funds.

NOTE 17 – ACCOUNTABILITY AND COMPLIANCE

At June 30, 2008, the Management Information Systems, Alternative Schools, BCII Scanning Equipment, Adult Basic Education, and EHA Preschool Grants/Handicapped Funds had negative fund balances of $154, $1,234, $9,158, $7,885, and $342, respectively. These negative fund balances are created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 18 – SUBSEQUENT EVENT

Effective July 1, 2008, the Center became the fiscal agent for the Clermont County Health Consortium.

NOTE 19 – RESTATEMENT OF BEGINNING BALANCES

An error was identified in previously reported fund balances/net assets due to the overstatement of receivables. The correction of this error had the following effect on beginning balances:

	Governmental Activities	General Fund
Net assets/fund balances, June 30, 2007	$4,436,190	$4,582,396
Restatement	(720,372)	(720,372)
Restated net assets/fund balances, July 1, 2007	$3,715,818	$3,862,024

Clermont County Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budgetary Basis)
GENERAL FUND
For the Fiscal Year Ended June 30, 2008

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	$ -	$ 2,007,562	$ 2,007,562	$ -
Interest	-	187,009	187,009	-
Contract Services	-	13,854,017	13,854,017	-
Gifts and Donations	-	46,593	46,593	-
Customer Sales and Services	-	280,246	280,246	-
Miscellaneous	-	56,860	56,860	-
Total Revenues	-	16,432,287	16,432,287	-
EXPENDITURES:				
Current:				
Instruction:				
Regular	226,961	215,496	215,496	-
Special	6,130,692	5,820,995	5,820,995	-
Adult/Continuing	18,492	17,558	17,558	-
Support Services:				
Pupils	4,267,122	4,051,565	4,051,565	-
Instructional Staff	5,659,836	5,373,925	5,373,925	-
Board of Education	209,356	198,780	198,780	-
Administration	492,168	467,306	467,306	-
Fiscal	273,418	259,606	259,606	-
Central	17,518	16,633	16,633	-
Total Expenditures	17,295,563	16,421,864	16,421,864	-
Excess of Revenues Over (Under) Expenditures	(17,295,563)	10,423	10,423	-
OTHER FINANCING USES:				
Transfers Out	(10,000)	(10,000)	(10,000)	-
Total Other Financing Uses	(10,000)	(10,000)	(10,000)	-
Net Change in Fund Balance	(17,305,563)	423	423	-
Fund Balance at Beginning of Year	5,160,436	5,160,436	5,160,436	-
Prior Year Encumbrances Appropriated	148,396	148,396	148,396	-
Fund Balance at End of Year	$ (11,996,731)	$ 5,309,255	$ 5,309,255	$ -

See accompanying notes to the supplemental information.

Note 1 – Budgetary Process

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

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

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

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

Note 2 – Budgetary Basis of Accounting

While the Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

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

Net Change in Fund Balance

	General
GAAP Basis	$415,382
Adjustments:	
Revenue Accruals	(591,900)
Expenditure Accruals	284,618
Encumbrances	(107,677)
Budget Basis	$423

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

Members of the Board
Clermont County Educational Service Center
2400 Clermont Center Drive
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clermont County Educational Service Center (the Center), Clermont County, as of and for the year ended June 30, 2008, which collectively comprise the Center's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 23, 2009, wherein we noted the Center implemented GASB Statement Nos. 25, 27, 45, and 50. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Districts internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by District's internal control. We consider the deficiency described in the accompanying schedule of findings as item 2008-001 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. 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 considered to be material weaknesses. We consider the item described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
January 23, 2009

Schedule of Findings and Responses

Finding Number 2008-001

Material misstatements to previously issued financial statements were identified by the District which should have been prevented or detected by the Educational Service Center internal controls over financial reporting more timely. Material misstatements were identified in the following areas:

- Improperly recorded accounts receivable
- Improperly recorded intergovernmental revenue

Prior period adjustments were required to correct beginning balances in the general fund and governmental activities for improperly recording accounts receivable.

The accompanying financial statements were adjusted to reflect correction of material misstatements. The Educational Service Center should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response

The Center chose not to respond.

Mary Taylor, CPA
Auditor of State

CLERMONT EDUCATIONAL SERVICE CENTER

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 26, 2009

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