

SUMMIT COUNTY EDUCATIONAL SERVICE CENTER

Audit Report

For the Year Ended June 30, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Summit County Educational Service Center
420 Washington Avenue
Cuyahoga Falls, Ohio 44221

We have reviewed the Report of Independent Accountants of the Summit County Educational Service Center, Summit County, prepared by Charles E. Harris & Associates, Inc. for the audit period July 1, 2004 through June 30, 2005. 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 Summit County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 27, 2006

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SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
Audit Report
For the Year Ended June 30, 2005

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**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**

Board of Governors
Summit County Educational Service Center
Summit County, Ohio

We have audited the financial statements of the Summit County Educational Service Center, Summit County as and for the year ended June 30, 2005, and have issued our report thereon dated December 30, 2005. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris & Associates, Inc.
December 30, 2005

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 2004, did not include material citations or recommendations.

Summit County

Educational Service Center

Cuyahoga Falls, OH



Comprehensive
Annual
Financial
Report

Fiscal Year
Ended
June 30, 2005

Building a Solid
Foundation of Educational
Service and Support

Summit County Educational Service Center

Cuyahoga Falls, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2005

PREPARED BY:
SONDRA E. CLEVINGER and
CHIEF FISCAL OFFICER'S STAFF

Summit County Educational Service Center
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2005
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Summit County
**Educational
Service Center**



December 30, 2005

To the Citizens and Board of Governors of the Summit County Educational Service Center:

The Comprehensive Annual Financial Report (CAFR) of the Summit County Educational Service Center (the "Service Center") for the fiscal year ended June 30, 2005 is hereby submitted. This report, prepared by the Chief Fiscal Officer, includes basic financial statements, supplemental statements, and other financial and statistical information to provide a complete and full disclosure of all material financial aspects of the Service Center for the 2004-2005 fiscal year.

Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Service Center management. To the best of our knowledge and belief, the CAFR and the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Service Center.

This CAFR, which includes an opinion from the Auditor of the State of Ohio's Office, conforms with accounting principles generally accepted in the United States of America as set forth by the Governmental Accounting Standards Board (GASB) and is representative of the Service Center's commitment to provide meaningful information to its' stakeholders.

This CAFR is presented in three sections:

The Introductory Section, which is unaudited, includes this transmittal letter, a list of public officials, the Service Center's organizational chart and the Government Finance Officers' Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for fiscal year 2004.

The Financial Section, includes the Independent Accountants' Report, Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the Service Center's financial position and operating results, the Combining Statements for nonmajor funds, and other schedules that provide detailed information relative to the basic financial statements.

The Statistical Section, which is unaudited, includes selective financial, economic, and demographic information, generally presented on a multi-year basis for comparative purposes.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Service Center’s MD&A can be found immediately following the Independent Accountants’ Report.

BACKGROUND AND GENERAL INFORMATION

History

In 1914, the Ohio Legislature created *county boards of education* to oversee the predominantly rural schools outside the cities and larger villages. From their inception, these county offices have performed many of the functions associated with the central office of a large city school system. For example, they provide supervision, psychological services, and prescribed courses of study. In 1995, the Ohio General Assembly adopted Am. Sub. H.B. 117, which altered the structure of county offices of education. Effective July 1, 1995 county offices of education would be known as “Educational Service Centers” governed by a Board of Governors and not a school board.

In Summit County, as the local districts grew larger and more capable of independent operation, the emphasis of the County Office gradually expanded to provide additional cooperative services which were too expensive for a single district to provide economically. Today, the Summit County Educational Service Center concentrates on four main areas of services: 1) curriculum and instructional technology; 2) pupil personnel; 3) support/supplementary services; and 4) administration. Experience has proven that service center organizations can provide advantages of economy of scale without the disadvantages of bureaucracy.

Since the early 1990’s, the Service Center has been able to contract with city school districts to provide services to non-local districts. This permits the city districts to have access to services that they currently cannot afford to provide, and until now, may not have been able to purchase at an affordable cost.

Districts Served

The Summit County Educational Service Center serves a student population of approximately 52,902 in sixteen districts. The districts served are:

Barberton City	Nordonia Hills City
Copley-Fairlawn City	Norton City
Coventry Local	Revere Local
Cuyahoga Falls City	Springfield Local
Green Local	Stow-Munroe Falls City
Hudson City	Tallmadge City
Manchester Local	Twinsburg City
Mogadore Local	Woodridge Local

These districts still maintain their local autonomy in smaller, more manageable, districts with enrollments ranging from 900 to over 6,000 students. Each of the districts has a locally elected board of education consisting of five members, a local superintendent and a treasurer.

The Service Center also provides selected contractual services to districts outside of Summit County. These school districts affiliate on an annual basis, by contract, for a broad spectrum of educational services available through the Service Center.

Organization

The Board of Governors (the “Board”) has five members elected by the voters of the seven local districts. The members must be residents and registered voters of one of the seven local districts. The term of office for each member is four years. Non-partisan elections are held biannually in November with two members being elected in one cycle and three in the following cycle.

The Board sets policies and enters into contracts and may serve in a judicial capacity to resolve disputes involving the organization. The Board appoints the Superintendent and the Chief Fiscal Officer. All other staff are recommended by the administration to the Board for approval. The Board meets monthly to conduct business.

The Superintendent is the Chief Executive Officer of the Service Center and is responsible directly to the Board for all operations. The current Superintendent is Patrick Corbett who has served in this position since February 2000. His current contract extends until July 31, 2006.

The Chief Fiscal Officer of the Service Center is responsible directly to the Board for all financial operations and serves as Secretary to the Board. The current Chief Fiscal Officer is Sondra Clevenger who has served in this position since July 2000. Her current contract extends until the organizational meeting in January 2007.

SERVICES

Curriculum and Instructional Technology

The Curriculum & Instructional Technology Service Team plays a major role in maintaining and improving the quality of education in Summit County school districts. The department’s staff works mainly with teachers in two related areas: consultation and professional development. Their main emphasis is on helping teachers maintain and improve their instructional skills. The vehicles used are consultation, workshops, and conferences. The tools used are demonstrations of new methods and materials, on site consultations, workshops on specific topics and/or for a specific school, assistance in textbook selection, course of study development, implementation of state standards and educational innovations. The staff development opportunities provided to teachers, through the office are among the most comprehensive in the State.

The Service Center, in collaboration with 18 school districts, 3 universities and other public and parochial partners, was the recipient of a United States Department of Educational “Technology Learning Challenge Grant”. The grant of \$6.8 million over five years (1995-2000) provided for curriculum and technology integration within the consortium. This program was titled *The NEW³ Project*. An extension to finish the grant was given until December 2001. With the end of the grant, we find that our partnership with the University of Akron has been strengthened. We still continue to provide leadership training through the University of Akron, and maintain a firm foundation in technology. The University of Akron awarded the Service Center with the “Community Partner Award” Summer, 2003 in a collaborative effort.

Ohio legislation requires school districts to have a Continuous Improvement Plan (CIP). In response to this requirement, the Service Center now offers services to support districts in their efforts to develop a CIP. These services are based on a model for developing district and building plans created by the Service Center for Leadership in School Reform System Standards. Analysis of Proficiency Test data is also a major component of the Service Center's efforts in this area. New services are also being developed to assist districts in this process.

The Service Center operates a media library for Summit County. Affiliated schools are able to borrow videotapes, CD-ROMS and laser discs from our consortium media library. This library is comprised of over 4,000 titles. There are no rental charges or delivery charges for the seven local and nine affiliate districts. All other users pay a modest rental fee and a delivery fee to cover the cost of postage. Teachers and administrators may call the office to book materials or access the MediaNet through the World Wide Web at <http://union.infohio.org/summit>.

Pupil Personnel

The Service Center provides services to school districts to assist in their delivery of services to special needs and at-risk populations. Services provided directly to students and families are: Attendance/Truancy, Psychological Testing and Individual Education Plans, Speech & Language Therapy and Audiology.

Specialized staffing and other programs are available to school districts to assist them in providing the necessary support for special populations. These include Gifted and Talented Coordination, Special Education Supervision, Speech and Language Supervision, and Work/Study Coordination.

The Summit County Preschool provides an integrated, comprehensive preschool program for all students, age three to five, with special needs or at-risk concerns. In addition to classroom teaching, some of the related services provided are occupational therapy, physical therapy, nursing and nutrition. Participating districts contract for this program.

Support/Supplementary

In order to serve their student populations, school districts must provide a complex network of services. Some of these services are more efficiently and cost effectively provided by a service agency such as the Service Center. To that end, the Service Center provides an array of services that some or all districts use. These include: a courier to and from all district central offices; license checks and safety records; substitute teacher screening; teacher certification; employee background screening and fingerprinting for local districts.

Administration

Of great benefit to the school districts, is the Service Center's cooperative and regional approach. Through this approach, the Service Center has the capacity to facilitate and manage projects in a manner that would not be otherwise possible. The \$6.8 million Federal Challenge Grant is an example of one major benefit of this approach. Some of the other vital benefits are the Service Center's ability to: 1) serve as a neutral convener; 2) provide consortium/partnerships formation and facilitation; 3) provide fiscal agency for grants, projects and Northeast Ohio Network of Educational Technology ("NEOnet" - a data acquisition site for school districts) and 4) provide legislative workshops.

The Service Center is committed to leadership development in the changing world of public education. To this end, the Service Center provides leadership academy opportunities to teachers, aspiring principals, principals, school building teams, treasurers, superintendents, and aspiring superintendents.

ECONOMIC CONDITION AND OUTLOOK

The Service Center's financial condition is dependent upon the collective financial condition of the districts served, and their ability to contract for the Service Center's services. The districts served are mainly within Summit County, Ohio.

In July of 2003, the Ohio legislature enacted HB 95. House Bill 95 required the Ohio Department of Education to recommend to Ohio's General Assembly a plan for a regional system to deliver educational services. Agencies included in this plan for regionalization are educational service centers, special education regional resource centers, area media centers, school improvement facilitators, data acquisition sites, educational technology centers and others. After the process of request for input by the stakeholders was complete, the State Board of Education submitted a plan for Ohio's Regional Educational Delivery System (OREDS), to the General Assembly on March 31, 2004. The General Assembly did not act. What happens with OREDS is anyone's guess. At this point in time it is possible the look of Ohio's Educational Service Centers may change once again. Alignment of services is a logical way to eliminate duplication of services and to ensure tax dollars reach their intended purpose. State Representative Arlene Setzer has introduced a similar bill, HB115. This bill was scheduled for vote on the House floor September 12, 2005, however this legislative session was cancelled.

Summit County has been historically associated with the rubber industry. Although there has been a steady decrease in the number of hourly workers, there has been offset to a large degree by an increase in salaried workers in this industry. Goodyear Tire & Rubber Company is the largest employer in the County with 4,700 employees. Akron General Medical Center is in second place with 3,670 employees and followed by the Akron City School District with 3,500 employees. The City of Akron is in fourth place with 2,581 employees.

The County is headquarters for ten corporations with annual revenues of more than one-hundred million dollars each. The top four are Goodyear Tire & Rubber Company, First Energy (Formerly Ohio Edison Company), International Steel Group, Inc. and Jo-Ann Stores, Inc.

Unemployment rates and stocks have been unstable since September 11, 2001. The national economy is in recession. History shows Summit County has fared unfavorably in unemployment rates compared to National and State rates. The unemployment rate in 2004 was at 6.1%. This percentage is up from 2003 rate that was 5.7%. The State rate of 6.1% and the National rate of 5.5% are either lower or the same as our area. The workforce is transitioning from manufacturing to service industries. In Akron, the largest segment of employment is "Trade, Transportation and Utilities".

In summary, the County's economy appeared to decline from the figures stated for 2003.

FINANCIAL INFORMATION

Accounting

This is the fourth year the Service Center has prepared financial statements following GASB Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – State and Local Governments”. GASB Statement No. 34 creates new basic financial statements for reporting on the Service Center’s financial activities as follows:

Government-wide financial statements - These statements are prepared on the accrual basis of accounting, which is similar to the basis of accounting followed by businesses. The government-wide statements distinguish between those activities of the Service Center that are governmental and those that are considered business type activities.

Fund financial statements - These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include reconciliation to the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.

Statement of budgetary comparison – This statement presents a comparison of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, cash disbursements and encumbrances.

As determined by criteria established by GASB Statement No. 34, the Service Center does not report any activities that qualify as proprietary or business type activities. As part of this new reporting model, management is also responsible for preparing a discussion and analysis of the Service Center. This discussion follows the Independent Accountants’ Report, providing an assessment of the Service Center’s finances for fiscal year 2005 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain nonmajor funds of the Service Center.

Internal Controls

The management of the Service Center is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Service Center are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived from its implementation; and (2) the valuation of cost and benefits requires estimates and judgments by management.

Single Audit Act

As a recipient of federal financial assistance, the Service Center is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the Service Center and annual reviews by the Service Center's independent auditors. Based upon the level of Federal spending for fiscal year 2005, a single audit is not required.

Budgetary Controls

The Service Center maintains its accounts, appropriations and other financial records in accordance with the procedures established and prescribed by the Ohio Auditor of State. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the Board of Governors. The legal level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The Service Center also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year-end are carried forward to succeeding years and are not re-appropriated.

CASH MANAGEMENT

The Service Center's approach to the cash management program has continued to be consistent during 2004-2005 with the use of certificates of deposit. Due to very poor interest rates, certificates of deposit have been invested for very short periods of time. Shorter certificates of deposit have had the best interest rates available. The total amount of interest earned was \$126,759.

Protection of the Service Center's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 105% of the total deposits, to secure the repayment of all public monies deposited in a financial institution. A detailed description of the Service Center's investment functions is described in Note 4 to the basic financial statements.

RISK MANAGEMENT

As a political subdivision, the Service Center maintains protection for its assets and employees through a comprehensive insurance program. Insurance policies for general liability, commercial equipment loss, and vehicle liability are purchased from insurance companies licensed to do business in the State of Ohio.

The Service Center offers health and dental insurance benefits to full time employees and pays 80% of the insurance rate. The Service Center belongs to the Stark County Schools Council of Government (COG) Health Plan. The COG holds the assets of the plan. The Service Center pays a monthly premium to the plan and shares in ownership. The plan is fully funded and the Service Center is not at risk.

All employees of the Service Center are covered by worker's compensation. Effective January 1, 1995, the Service Center joined a group-rating program through the Ohio School Board Association in an effort to control these costs.

PENSION PLANS

The statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS) covers all Service Center employees. The Service Center's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the Service Center to pay the employer share as determined by each retirement system, currently 14%. The Service Center's required contributions for fiscal year 2005 were \$539,247 and \$402,714 to STRS and SERS, respectively.

OTHER INFORMATION

Independent Audit

Provisions of State statute require the Service Center's financial statements to be subjected to bi-annual examination, annually if subject to the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133, by the Auditor of State. The accounting firm of Charles E. Harris and Associates, CPA's performed the audit for the period ended June 30, 2005. The auditor's unqualified opinion rendered on the Service Center's basic financial statements, and their report on the combining and individual fund statements and schedules, is included in the financial section of this CAFR.

GFOA Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Service Center for its fiscal year ended June 30, 2004 CAFR. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for the preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to the high standards required by the Certificate of Achievement program.

Acknowledgments

Publication of this report significantly increases the accountability of the Service Center to the stakeholders. Without the support and efforts of the Chief Fiscal Officer's office and various administrators and staff of the Service Center, this accomplishment would not have been possible.

Sincere appreciation is extended to the Board of Governors for its support and interest in this project.

Respectfully Submitted,



Patrick Corbett
Superintendent



Sondra Clevenger
Chief Fiscal Officer

Summit County Educational Service Center
Public Officials Roster
Year Ended June 30, 2005

Board of Governors

Ms. Alyce Altwies	President
Ms. Susan Lobalzo	Vice President
Ms. Jennifer Troyer	Member
Mr. Ray Weber	Member
Mr. Dow Wolfe, III	Member

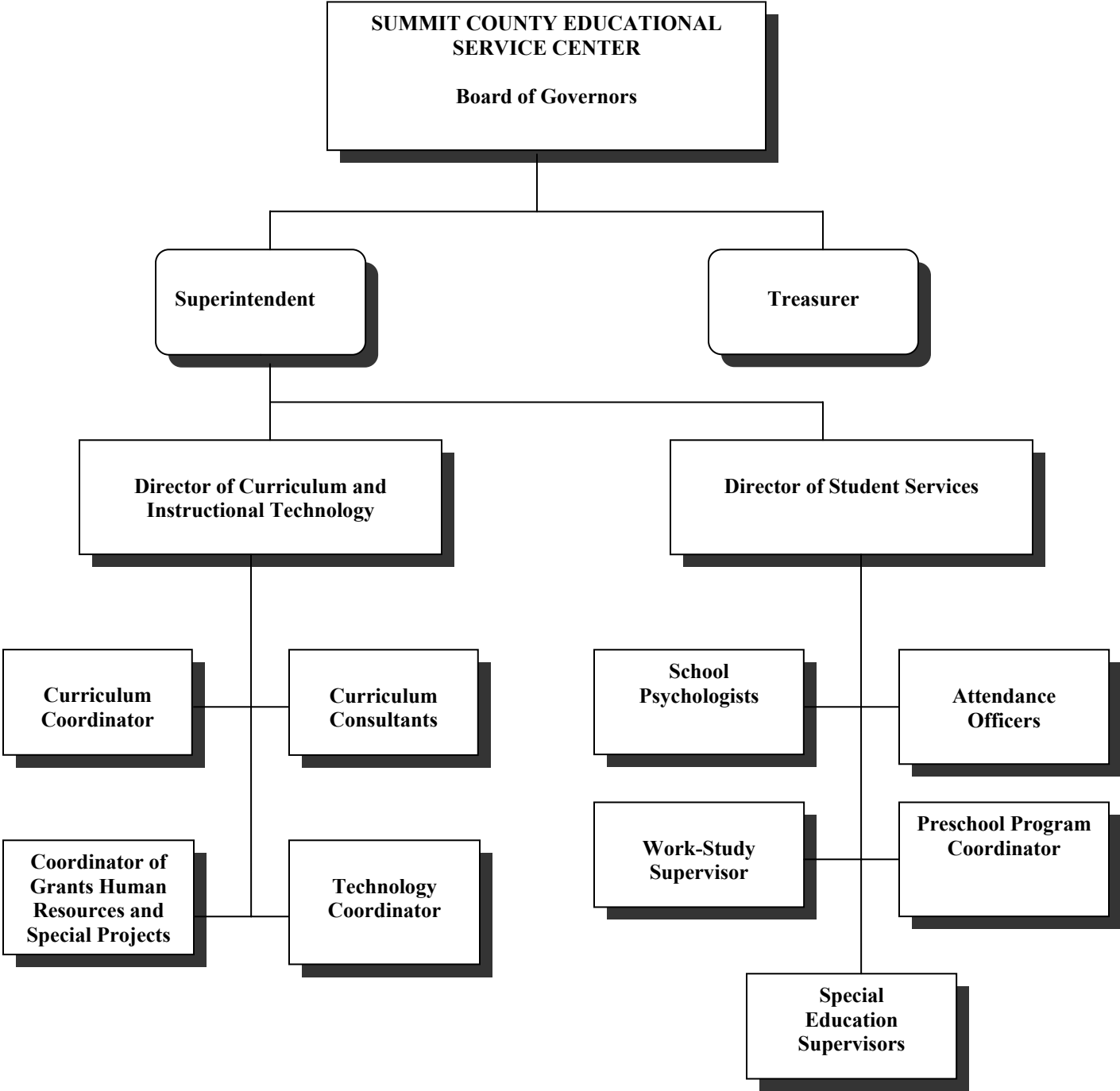
Chief Fiscal Officer

Mrs. Sondra Clevenger

Administration

Mr. Patrick Corbett	Superintendent
Ms. Michelle Gaski	Director of Curriculum & Instructional Technology
Mrs. Denise Cirino	Director of Pupil Personnel Services

Summit County Educational Service Center
Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to
Summit County
Education Service Center,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielke

President

Jeffrey R. Emer

Executive Director

Summit County
**Educational
Service Center**



REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Governors
Summit County Educational Service Center
Cuyahoga Falls, Ohio**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Summit County Educational Service Center (the Center), as of and for the year ended June 30, 2005, 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 an opinion on these basic 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 that our audit provides a reasonable basis for our opinion.

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 Center as of June 30, 2005, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2005 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, grants and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The introductory section, combining and individual nonmajor fund statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express not opinion on them.



Charles E. Harris & Associates, Inc.
December 30, 2005

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

The discussion and analysis of the Summit County Educational Service Center's (the "Service Center") financial performance provides an overview of the Service Center's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the financial performance as a whole. Please read it in conjunction with the transmittal letter and the basic financial statements and notes to enhance understanding of the Service Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets increased \$106,133. This represents a 2.1 percent increase from fiscal year 2004.
- Total assets increased \$31,489, or .5 percent as compared to fiscal 2004. The most significant asset decrease was to equity in pooled cash and cash equivalents, which totaled \$219,944.
- General revenues accounted for \$2,730,823 in revenue, or 33.2 percent of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions accounted for \$5,420,882 or 66.5 percent of all revenues.
- The General fund, the Service Center's only major fund, has \$ 7,397,298 in revenues, or 90 percent of total governmental revenues and \$7,197,548 in expenditures or 88.2 percent of total governmental expenditures. The General fund's balance increased \$199,750 during 2005.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can easily understand Summit County Educational Service Center's operations and activities as a whole, or as an entire operating entity.

The statement of net assets and the statement of activities (on pages 12 and 13) provide information about the activities of the Service Center, presenting an aggregate view of the finances of the Service Center and a longer-term view of these finances for future spending.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

Reporting the Service Center as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities answer the question of how did the Summit County Educational Service Center do financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by for-profit businesses, financial institutions, and the stockholders of those companies. This basis of accounting takes into consideration all of the current fiscal year's revenues and expenses regardless of when cash was received or paid.

These two statements report net assets and changes in those assets. The change in net assets is valuable in analyzing these statements. These results indicate whether the financial position has improved or diminished. The cause of this change may be the result of many factors. Some factors may be financial while other factors will be non-financial. Non-financial factors include mandated educational programs, as well as locally requested programs.

In the statement of net assets and the statement of activities, the Service Center reports governmental activities. Governmental activities are the activities where most of the Service Center's programs and services are reported including, but not limited to, instruction, support services, and interest and fiscal charges.

Reporting the Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Service Center's major fund begins on page 14. Fund financial reports provide detailed information about the Service Center's major fund. The Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Service Center's most significant funds. The Service Center's only major governmental fund is the General Fund.

Governmental Funds

All of the Service Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for future periods. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Service Center's 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 programs.

The relationship, or differences, between governmental activities reported in the statement of net assets and the statement of activities and in the governmental funds are reconciled in the financial statements.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

The Service Center as a Whole

The statement of net assets provides the perspective of the Service Center as a whole.

Table 1 provides a summary of the Service Center's net assets for 2005 compared to 2004:

	<u>2005</u>	<u>2004</u>
Assets		
<i>Current and other assets</i>	\$ 5,821,194	\$ 5,740,979
<i>Depreciable capital assets, net</i>	<u>241,945</u>	<u>290,671</u>
<i>Total assets</i>	6,063,139	6,031,650
Liabilities		
<i>Long-term liabilities</i>	169,802	265,307
<i>Other liabilities</i>	<u>713,408</u>	<u>692,547</u>
<i>Total liabilities</i>	883,210	957,854
Net Assets		
<i>Invested in capital assets, net of related debt</i>	234,052	271,113
<i>Restricted</i>	212,594	377,156
<i>Unrestricted</i>	<u>4,733,283</u>	<u>4,425,527</u>
<i>Total net assets</i>	<u>\$ 5,179,929</u>	<u>\$ 5,073,796</u>

Total assets increased \$31,489 or .5 percent, as compared to fiscal year 2004. Overall net assets of the Service Center have increased by \$106,133, or 2.1 percent as compared to fiscal year 2004. This increase is a result of increased revenues generated from additional member school district service requests. Some of these increases have been offset by additional costs associated with these services and the recognition of depreciation expense on the general capital assets used to help provide these services.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

	<i>Governmental Activities</i>	
	<u>2005</u>	<u>2004</u>
Revenues		
<i>Program revenues</i>		
Charges for services	\$ 4,661,605	\$ 4,610,240
Operating grants and contributions	759,277	1,196,655
<i>General revenues</i>		
Grants and entitlements	2,579,771	2,498,378
Investment earnings	126,759	58,045
Miscellaneous	24,293	35,245
Total revenues	<u>8,151,705</u>	<u>8,398,563</u>
Program Expenses		
<i>Instruction</i>		
Regular	209,664	8,909
Special	1,923,412	1,870,194
Vocational	53,325	51,425
Adult/continuing	3,843	6,098
<i>Support services</i>		
Pupils	1,946,972	1,797,642
Instructional staff	2,183,010	2,196,860
Board of governors	28,563	63,916
Administration	813,310	768,258
Fiscal	236,049	210,193
Business	50,286	27,818
Operation and maintenance of plant	142,367	148,626
Central	433,416	799,918
Extracurricular Activities	20,304	-
Interest and fiscal charges	1,051	1,881
Total expenses	<u>8,045,572</u>	<u>7,951,738</u>
Increase in net assets	106,133	446,825
Net Assets Beginning of Year	<u>5,073,796</u>	<u>4,626,971</u>
Net Assets End of Year	<u>\$ 5,179,929</u>	<u>\$ 5,073,796</u>

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

Governmental Activities

A review of Table 2 reflects the total cost of instructional services was \$2,190,244, or 27.2 percent of the Service Center's total expenses. Instructional expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil. These expenses increased over 2004 by \$253,618, or 13.1 percent. The primary cause to the overall increase in instructional expenses was caused by an increase in additional services provided to member school districts.

Pupils and instructional staff include the activities involved in assisting staff with the content and process of teaching to pupils. This is a major emphasis of the Service Center as the total expenses were \$4,129,982, or 51.4 percent as compared to the total expenses of the Service Center. Of these expenses, instructional staff decreased \$13,850, or .6 percent as compared to 2004. There was no individually significant event that caused this modest increase.

Board of governors, administration, fiscal and business include expenses associated with administrative and financial supervision of the Service Center. These expenses totaled \$1,128,208, or 14 percent of the total expenses of the Service Center. Of these expenses, administration expense incurred the largest increase as compared to 2004. This increase totaled \$45,052 or 5.9 percent. The increase was primarily caused by an annual increase in wages.

The statement of activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. Table 3 indicates the total cost of services and the net cost of services.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

Table 3
Governmental Activities

	<i>Total Cost of Services <u>2005</u></i>	<i>Total Cost of Services <u>2004</u></i>	<i>Net Cost of Services <u>2005</u></i>	<i>Net Cost of Services <u>2004</u></i>
Program Expenses				
<i>Instruction</i>				
Regular	\$ 209,664	\$ 8,909	\$ (103,078)	\$ (8,488)
Special	1,923,412	1,870,194	6,659	(144,902)
Vocational	53,325	51,425	42,623	(586)
Adult/continuing	3,843	6,098	212	4,271
<i>Support services</i>				
Pupils	1,946,972	1,797,642	(631,955)	(772,114)
Instructional staff	2,183,010	2,196,860	(1,127,228)	(1,138,462)
Board of governors	28,563	63,916	(27,115)	(63,916)
Administration	813,310	768,258	(95,921)	493,386
Fiscal	236,049	210,193	(209,268)	(136,981)
Business	50,286	27,818	(48,258)	(27,818)
Operation and maintenance of plant	142,367	148,626	(139,181)	(148,626)
Central	433,416	799,918	(270,825)	(198,726)
Extracurricular Activities	20,304	-	(20,304)	-
Interest and fiscal charges	<u>1,051</u>	<u>1,881</u>	<u>(1,051)</u>	<u>(1,881)</u>
Total expenses	<u>\$ 8,045,572</u>	<u>\$ 7,951,738</u>	<u>\$ (2,624,690)</u>	<u>\$ (2,144,843)</u>

The dependence upon general revenues for governmental activities is apparent, with 33 percent of expenses supported by general revenues. It is the intention of the Board of Governors not to over charge the districts served and to utilize the general revenues to offset the cost of programs to member districts.

The Service Center's Funds

The Service Center's governmental funds are accounted for using the modified accrual basis of accounting. Total revenues were \$8,215,016 and expenditures were \$8,163,298, which indicates the Service Center was able to meet current costs.

Fund balances in the General fund increased by \$199,750, or 4.8 percent while other governmental funds decreased \$148,032, or 41.2 percent. The General fund balance increase was attributed to increased revenues reported from additional services provided to member school districts. The decrease in the other governmental funds was primarily caused by the expenditure of the LSTA grant monies, which were received in the prior year.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

Budgeting Highlights

The Service Center's budget is prepared according to the requirements of the State Department of Education, and is based on cash receipts, disbursements, and encumbrances. The Service Center's most significant budgeted fund is the General fund. The General fund, and all other governmental funds, is budgeted at the fund level.

As services provided to the local school districts change during the fiscal year, adjustments are made to the original budget. These types of requests generally come directly from the superintendent of the school district where the students and staff are served. Additions to personnel are the primary cause for budget revisions and are approved by the Service Center's Board of Governors.

For the General Fund, budgeted revenues were significantly changed throughout the year. A review of the actual revenues, as compared to the original and final budgeted amounts, shows that resources received were comparable to the final anticipated amounts. However, the increase in originally budgeted revenues and final budgets was primarily caused by fluctuations in the member districts request for services. There are two options for districts to select from with regard to paying for services due to the ESC. One option is a direct billing method where the districts remit a check to us once they are billed for services. The other option is to have the estimated amount due for services deducted from their state funding and sent directly to the Service Center. These dollars are held on account here and when billed, the dollars then become Service Center revenue. There were three school districts that chose this payment option. This option was chosen after the original budget was submitted, thus creating the change.

Actual expenditures and other financing uses were not significantly changed throughout the year. These differences are primarily caused by the budgeting procedures of the Service Center. As part of the Service Center operations, revenues are received from member districts through a reduction of their state foundation settlements. These deductions are then remitted to the Service Center to hold and use for costs incurred from services provided by the Service Center, as requested by each individual district. The original and final budget includes any funds on hand from the previous year, in addition to an estimated amount to be received and expended for the current year. Actual expenditure variances, as compared to the original and final budgeted amounts, arise when individual member districts do not request enough services to match the budgeted amounts.

The Service Center's ending unobligated budgetary balance was \$471,490 above the final budgeted amount primarily due to districts not spending the full amount of their budget requests and carrying-over their money to the next fiscal year.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

Capital Assets

At the end of fiscal year 2005, the Service Center had \$241,945 invested in capital assets. Table 4 reflects fiscal 2005 balances compared to fiscal year 2004 restated amounts:

Table 4
Capital Assets at June 30, 2004
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Furniture and equipments	241,945	290,671
Vehicles	-	-
Total capital assets	<u>\$ 241,945</u>	<u>\$ 290,671</u>

Overall the value of capital assets decreased over the prior year as a result of current year depreciation exceeding current year additions. For fiscal year 2006, the capital budget calls for a modest increase in capital purchases. See Note 6 to the basic financial statements for detail on the Service Center's capital assets

Debt

At year-end, the Service Center had only capitalized leases as debt. Lease obligations outstanding at year end totaled \$7,893, which are for two separate copier leases both scheduled to mature during fiscal year 2006. See Note 11 to the basic financial statements for detail on the Service Center's long-term obligations.

Current Issues

Amended Substitute House Bill 94 allows County Commissioner's phase out of responsibilities to supply facilities occupied by Service Centers. Previously, the Summit County Council provided office facilities at no cost to the Service Center. The County Council has informed the Service Center that they intend to transfer these costs back to the Board of Governors. The cost is being phased in over a five-year period, with 20 percent being charged in fiscal 2003. The cost increases 20 percent each year until 100 percent is charged to the Service Center. These costs will ultimately need to flow to the school districts served unless a replacement stream of revenue can be found.

On December 11, 2003, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

Summit County Educational Service Center

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2005

Unaudited

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The Service Center is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

Ohio's Legislature had directed to Ohio Department of Education to evaluate and recommend an efficient system of regional delivery of educational services. This plan was due to the state legislature by March of 2004. Nothing of significant impact happened after this plan was delivered. Currently, State Representative Arlene Setzer has introduced a similar bill, HB115. As of this point in time, it is not clear how Educational Service Centers will be impacted.

Contacting the Service Center's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Educational Service Center's finances and to show the Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Summit County Educational Service Center Treasurer/CFO Office at 420 Washington Avenue, Suite 200, Cuyahoga Falls, Ohio 44221.

Summit County Educational Service Center
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,755,128
Receivables:	
Intergovernmental	1,053,931
Prepaid Items	9,030
Materials and Supplies Inventory	3,105
Depreciable Capital Assets (Net)	<u>241,945</u>
<i>Total Assets</i>	<u>6,063,139</u>
 <u>Liabilities:</u>	
Accounts Payable	20,566
Accrued Wages	507,869
Intergovernmental Payable	120,175
Accrued Vacation Leave Payable	64,798
Long -Term Liabilities:	
Due Within One Year	41,731
Due Within More Than One Year	<u>128,071</u>
<i>Total Liabilities</i>	<u>883,210</u>
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	234,052
Restricted for:	
Other Purposes	212,594
Unrestricted	<u>4,733,283</u>
<i>Total Net Assets</i>	<u>\$ 5,179,929</u>

Summit County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Assets
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 209,664	\$ 106,586	\$ -	\$ (103,078)
Special	1,923,412	1,535,977	394,094	6,659
Vocational	53,325	95,948	-	42,623
Adult/Continuing	3,843	4,055	-	212
Support Services:				
Pupils	1,946,972	1,160,980	154,037	(631,955)
Instructional Staff	2,183,010	844,990	210,792	(1,127,228)
Board of Governors	28,563	1,448	-	(27,115)
Administration	813,310	717,389	-	(95,921)
Fiscal	236,049	26,781	-	(209,268)
Business	50,286	2,028	-	(48,258)
Operation and Maintenance of Plant	142,367	3,186	-	(139,181)
Central	433,416	162,237	354	(270,825)
Extracurricular Activities	20,304	-	-	(20,304)
Interest and Fiscal Charges	1,051	-	-	(1,051)
<i>Total Governmental Activities</i>	<u>\$ 8,045,572</u>	<u>\$ 4,661,605</u>	<u>\$ 759,277</u>	<u>\$ (2,624,690)</u>
 <u>General Revenues:</u>				
				2,579,771
Grants and entitlements not restricted to specific programs				126,759
Investment Earnings				24,293
Miscellaneous				<u>2,730,823</u>
<i>Total General Revenues</i>				
				106,133
<i>Change in Net Assets</i>				
				5,073,796
<i>Net Assets Beginning of Year</i>				<u>\$ 5,179,929</u>
<i>Net Assets End of Year</i>				

Summit County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,542,994	\$ 212,134	\$ 4,755,128
Receivables:			
Interfund	2,361	-	2,361
Intergovernmental	1,031,152	22,779	1,053,931
Materials and Supplies Inventory	3,105	-	3,105
Prepaid Items	9,030	-	9,030
<i>Total Assets</i>	<u>\$ 5,588,642</u>	<u>\$ 234,913</u>	<u>\$ 5,823,555</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 19,237	\$ 1,329	\$ 20,566
Accrued Wages	495,519	12,350	507,869
Interfund Payable	-	2,361	2,361
Intergovernmental Payable	114,003	6,172	120,175
Deferred Revenue	640,037	1,594	641,631
<i>Total Liabilities</i>	<u>1,268,796</u>	<u>23,806</u>	<u>1,292,602</u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	111,428	1,141	112,569
Unreserved:			
Designated for budget stabilization	148,863	-	148,863
Designated for contingencies	250,000	-	250,000
Undesignated, Reported in:			
General Fund	3,809,555	-	3,809,555
Special Revenue Funds	-	209,966	209,966
<i>Total Fund Balances</i>	<u>4,319,846</u>	<u>211,107</u>	<u>4,530,953</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 5,588,642</u>	<u>\$ 234,913</u>	<u>\$ 5,823,555</u>

Summit County Educational Service Center
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2005

Total Governmental Fund Balances		\$ 4,530,953
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		241,945
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Intergovernmental		641,631
Long-term and other liabilities that are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated Absences	\$ (161,909)	
Vacation Benefits	(64,798)	
Capital Leases	(7,893)	
	<u> </u>	<u>(234,600)</u>
Net Assets of Governmental Activities		<u><u>\$ 5,179,929</u></u>

Summit County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Intergovernmental	\$ 2,579,771	\$ 775,699	\$ 3,355,470
Interest	126,759	-	126,759
Tuition and Fees	883,945	-	883,945
Charges for Services	3,785,680	38,869	3,824,549
Gifts and Donations	-	3,150	3,150
Miscellaneous	21,143	-	21,143
<i>Total Revenues</i>	<u>7,397,298</u>	<u>817,718</u>	<u>8,215,016</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	207,839	-	207,839
Special	1,831,257	189,319	2,020,576
Vocational	52,865	-	52,865
Adult/Continuing	-	3,843	3,843
Support Services:			
Pupils	1,840,520	104,946	1,945,466
Instructional Staff	1,886,371	329,410	2,215,781
Board of governors	47,806	-	47,806
Administration	616,977	188,664	805,641
Fiscal	227,634	11,200	238,834
Business	51,649	-	51,649
Operation and Maintenance of Plant	120,368	-	120,368
Central	281,251	138,368	419,619
Extracurricular Activities	20,295	-	20,295
Debt Service:			
Principal Retirement	11,665	-	11,665
Interest and Fiscal Charges	1,051	-	1,051
<i>Total Expenditures</i>	<u>7,197,548</u>	<u>965,750</u>	<u>8,163,298</u>
<i>Net Change in Fund Balance</i>	199,750	(148,032)	51,718
<i>Fund Balance (Deficit) at Beginning of Year</i>	4,120,096	359,139	4,479,235
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 4,319,846</u>	<u>\$ 211,107</u>	<u>\$ 4,530,953</u>

Summit County Educational Service Center
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ 51,718

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 exceeded additions in the current period.

Capital Asset Additions	\$ 7,706	
Current Year Depreciation	(54,674)	(46,968)

Net effect of transactions involving disposal of capital assets are not reflected in the funds.	(1,758)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Intergovernmental	25,896
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Repayment of capital lease principal is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets.	11,665
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Some expenses reported in the statement of activities do not use current financial resources and therefore, are not reported as expenditures in governmental funds.

Decrease in compensated absences	\$ 83,840	
Increase in vacation benefits payable (1)	(64,798)	
Decrease in pension obligation	46,538	65,580

Change in Net Assets of Governmental Activities \$ 106,133

(1) Vacation benefits were reported within compensated absences (long-term liabilities) in the prior year. This amount is reported separately on the face of the statement of net assets in the current period.

Summit County Educational Service Center
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<u>Revenues:</u>				
Intergovernmental	\$ 2,579,367	\$ 2,579,771	\$ 2,579,771	\$ -
Investment Income	118,692	118,692	129,941	11,249
Tuition and Fees	658,179	658,179	670,918	12,739
Charges for Services	3,179,048	3,906,273	3,737,221	(169,052)
Miscellaneous	21,143	21,143	21,143	-
<i>Total Revenues</i>	<u>6,556,429</u>	<u>7,284,058</u>	<u>7,138,994</u>	<u>(145,064)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	424,880	422,144	181,874	240,270
Special	1,673,634	1,864,061	1,831,878	32,183
Vocational	52,639	52,639	52,639	-
Support Services:				
Pupils	2,134,481	1,934,309	1,869,363	64,946
Instructional Staff	2,059,658	2,053,595	1,957,018	96,577
Board of Governors	46,433	46,826	45,120	1,706
Administration	694,795	702,817	561,408	141,409
Fiscal	235,576	235,576	231,898	3,678
Business	55,587	55,837	51,280	4,557
Operation and Maintenance of Plant	146,260	146,260	136,945	9,315
Central	327,640	307,655	285,742	21,913
Extracurricular Activities	17,896	19,436	19,436	-
<i>Total Expenditures</i>	<u>7,869,479</u>	<u>7,841,155</u>	<u>7,224,601</u>	<u>616,554</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,313,050)</u>	<u>(557,097)</u>	<u>(85,607)</u>	<u>471,490</u>
<u>Other Financing Sources (Uses):</u>				
Advance In	18,017	18,017	18,017	-
Advance Out	(96,441)	(96,441)	(96,441)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(78,424)</u>	<u>(78,424)</u>	<u>(78,424)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(1,391,474)	(635,521)	(164,031)	471,490
<i>Fund Balance (Deficit) at Beginning of Year</i>	4,462,870	4,462,870	4,462,870	-
Prior Year Encumbrances Appropriated	114,670	114,670	114,670	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,186,066</u>	<u>\$ 3,942,019</u>	<u>\$ 4,413,509</u>	<u>\$ 471,490</u>

Summit County Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,668,217
Receivables:	
Accounts	7,495
Intergovernmental	15,317
<i>Total Assets</i>	<u>\$ 1,691,029</u>
 <u>Liabilities:</u>	
Accounts Payable	\$ 5,454
Accrued Wages	28,537
Accrued Vacation Leave Payable	32,533
Intergovernmental Payable	19,028
Undistributed Monies	1,605,477
<i>Total Liabilities</i>	<u>\$ 1,691,029</u>

Summit County Educational Service Center

NOTE 1 - DESCRIPTION OF THE SERVICE CENTER

The Summit County Educational Service Center (the "Service Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Service Center is a County Educational Service Center as defined by Section 3313.01 of the Ohio Revised Code. The Service Center operates under an elected Board of Governors (5 members). Board members must be residents of the local school systems located in Summit County. The Service Center provides educational services to the local school systems in Summit County as well as nine city school districts, which have a contractual relationship with the Service Center.

Average daily membership (ADM) for the area school districts served by the Service Center as of October 1, 2004 was 52,902. The Service Center employed 90 certificated employees and 115 non-certificated employees at that date.

Reporting Entity

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

Component units are legally separate organizations for which the Service Center is financially accountable. The Service Center is financially accountable for an organization if the Service Center appoints a voting majority of the organizations' governing board and (1) the Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Service Center is legally entitled to or can otherwise access the organization's resources; the Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Service Center in that the Service Center approves the budget, the issuance of debt or the levying of taxes. The Service Center does not have any component units.

The Service Center is associated with the Northeast Ohio Network for Educational Technology (NEOnet), which is defined as a jointly governed organization. Representatives from each of the governments that create the organization govern jointly governed organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 13.

Notes to the Basic Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Service 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 entity for establishing governmental accounting and financial reporting principles. The Service Center will apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to any governmental activities provided they do not conflict with or contradict GASB pronouncements. For the year ended June 30, 2005, the Service Center has implemented GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*." There was no effect on fund balances as a result of this implementation. The Service Center's significant accounting policies are described below.

A. Basis of Presentation

The Service Center's basic financial statements consist of government-wide statements, including a statement of net assets, and 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 Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Service Center at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Service 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 operations of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Service Center.

Fund Financial Statements

During the fiscal year, the Service Center segregates transactions related to certain Service 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 Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The only major fund, the general fund, is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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B. Fund Accounting

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

Governmental Funds

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

General Fund - The general fund is the operating fund of the Service 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 Service Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Proprietary Funds

Proprietary funds are used to account for the Service Center's ongoing activities that are similar to those found in the private sector. The Service Center 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 by the Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Service Center's only fiduciary funds are agency funds, with the NEOnet agency fund being the most significant. This agency fund is used to account for funds associated with the NEOnet data acquisition site in which the Service Center acts as the fiscal agent.

C. Measurement Focus

Government-wide Financial Statements

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

Notes to the Basic Financial Statements

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 reflects 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 fund financial statements for governmental funds.

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, "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 Service Center, available means expected to be received within sixty days of year-end.

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

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

Deferred Revenue

Deferred revenues 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 the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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Expenditures/Expenses

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

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major document prepared is the appropriation resolution, which is prepared on the budgetary basis of accounting. The appropriation resolution is subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Governors.

The Board of Governors must submit an annual appropriation of operating expenses to the State Board of Education for approval in accordance with ORC Section 3317.11. Part of the Service Center's operating expenses are apportioned among the member districts under the basis of the total number of pupils in each district and deducted from funds allocated to local districts under the State's School Foundation Program. Prior to the passage of the Annual Appropriation Resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the Service Center. Appropriations by fund must be within the estimated resources and the total expenditures and encumbrances may not exceed the appropriation at any level of control. The Board must approve any revisions that alter the total of any fund appropriations.

The final budget figures, which appear in the statement of budgetary comparison, represent the last appropriation amounts. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions. Under Ohio law, advances are not required to be budgeted.

F. Cash and Cash Equivalents

To improve cash management, all cash received by the Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through Service Center records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents". During the fiscal year, investments were limited to overnight repurchase agreements and certificates of deposit. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market price. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments. During the fiscal year all investments of the Service Center had a maturity of three months or less.

Notes to the Basic Financial Statements

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

H. Inventory

Within the basic financial statements, inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used.

I. Capital Assets

All of the Service Center's capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Service Center maintains a capitalization threshold of one thousand dollars. The Service 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 capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
<i>Furniture and equipment</i>	<i>3-20 years</i>
<i>Vehicles</i>	<i>3-5 years</i>

J. Short-term Interfund Assets/Liabilities

On the 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 of the statement of net assets.

K. Compensated Absences

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

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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 Service 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 Service Center's termination policy.

L. 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, claims and judgments, compensated absences, special termination benefits 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. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

M. Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes primarily include amounts for activities associated with assisting the instructional staff with the content and process of providing learning experiences for pupils.

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

N. Fund Balance Reserves and Designations

The Service Center records reservations and designations for portions of fund balance that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Fund balance reserves are only established for encumbrances. Designations were established by Board resolutions to account for monies held for contingencies and budget stabilization.

O. 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. Interfund transfers are reported as other financing sources/uses for governmental funds. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net assets. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements.

Notes to the Basic Financial Statements

P. Estimates

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget (non-GAAP basis) and actual, presented for 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>
<i>GAAP Basis</i>	\$ 199,750
<i>Net Revenue accruals</i>	(258,304)
<i>Net Expenditure accruals</i>	102,435
<i>Advances out</i>	18,017
<i>Advances in</i>	(96,441)
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	(129,488)
<i>Budget Basis</i>	<u><u>\$ (164,031)</u></u>

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NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Service 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 Service 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 Board of Governors 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 pass book accounts. Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

1. United States Treasury Bills, Notes, Bonds, or any other obligations 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. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements for a period not to exceed 30 days in securities listed above that mature within five years from the date of settlement;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period of 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the Service Center's deposits may be provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Chief Fiscal Officer 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 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 Chief Fiscal Officer, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Notes to the Basic Financial Statements

A. Deposits:

At fiscal year-end, the carrying amount of the Service Center's deposits was \$3,498,345, and the bank balance was \$4,002,636. Of the bank balance, \$102,636 was covered by federal depository insurance. \$3,900,000 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Service Center's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Service Center to a successful claim by the FDIC.

B. Investments:

Interest Rate Risk- The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. It is the Service Center's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

Credit Risk- The Service Center's only investment during fiscal year 2005 was in an overnight repurchase account, with a year ending balance of \$2,925,000. This account is not rated by Standard & Poor's or Moody's Investors Service.

Concentration of Credit Risk- The Service Center investment policy is to be diversified in its holdings of investments by avoiding concentrations of specific users. During the year, the Service Center's only investment was in an overnight repurchase account. These investments were secured with pledged collateral, held and in the name of the pledging institution, in which the investments are held.

Interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$126,759, which includes \$38,387 assigned from other Service Center funds.

NOTE 5 – RECEIVABLES

Receivables at year-end consisted of intergovernmental (grants and entitlements and charges for services provided to other governments) and interfund. 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 principal items of intergovernmental receivables follows:

	<u>Amount</u>
<i>General fund</i>	\$ 1,031,152
<u><i>Special revenue funds:</i></u>	
<i>Miscellaneous Grants</i>	15,537
<i>Public School Preschool</i>	2,518
<i>EHA Preschool Grant</i>	4,724
<i>Total Intergovernmental Receivable</i>	<u><u>\$ 1,053,931</u></u>

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NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2005</u>
<i>Capital assets, being depreciated</i>				
<i>Furniture and equipment</i>	\$ 659,129	\$ 7,706	\$ (3,706)	\$ 663,129
<i>Vehicles</i>	18,207	-	-	18,207
<i>Total capital assets, being depreciated</i>	<u>677,336</u>	<u>7,706</u>	<u>(3,706)</u>	<u>681,336</u>
<i>Less: Accumulated depreciation</i>				
<i>Furniture and equipment</i>	(368,458)	(54,674)	1,948	(421,184)
<i>Vehicles</i>	(18,207)	-	-	(18,207)
<i>Total accumulated depreciation</i>	<u>(386,665)</u>	<u>(54,674)</u>	<u>1,948</u>	<u>(439,391)</u>
<i>Total capital assets being depreciated, net</i>	<u>290,671</u>	<u>(46,968)</u>	<u>(1,758)</u>	<u>241,945</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 290,671</u>	<u>\$ (46,968)</u>	<u>\$ (1,758)</u>	<u>\$ 241,945</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
<i>Instruction:</i>	
<i>Regular</i>	\$ 337
<i>Special</i>	5,853
<i>Support services:</i>	
<i>Instructional staff</i>	9,619
<i>Administrative</i>	10,457
<i>Fiscal</i>	730
<i>Operation and maintenance of plant</i>	27,528
<i>Central</i>	150
<i>Total depreciation expense</i>	<u>\$ 54,674</u>

Notes to the Basic Financial Statements

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at year-end consist of the following individual fund receivables and payables:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
<i>General fund</i>	\$ 2,361	\$ -
<i>Nonmajor governmental funds</i>	-	2,361
	<u>\$ 2,361</u>	<u>\$ 2,361</u>

All interfund loans made during the year were to cover cash deficits. As of June 30, 2005 all interfund loans outstanding are anticipated to be repaid in fiscal year 2006.

NOTE 8 - RISK MANAGEMENT

The Service 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. These risks are covered by commercial insurance purchased from independent third parties. There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years. The Service Center is a participant in the Stark County Schools Council of Government ("Council") for the purpose of obtaining benefits at a reduced premium for health care. Mutual Health Services Company and the Aultcare Corporation administer the insurance program for health care. Payments are made to the Council for monthly premiums, monthly stop-loss premiums, and administrative charges. The fiscal agent of the Council is the Stark County Educational Service Center. The fiscal agent pays Mutual Health Services and the Aultcare Corporation monthly for all participating districts, the actual amount of claims processed, the stop-loss premium, and the administrative charges.

Premium contributions are determined annually based on the claims experience of the individual member. Premiums can be increased or decreased by up to 20% of the prior year's contribution. Members may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating members claims would be paid without regard to their individual account balances. The Consortium's Board of Directors has authority to return monies to an exiting member subsequent to the settlement of all claims and expenses.

The Service Center pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Summit County Educational Service Center

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Service Center contributes to the School Employees Retirement System of Ohio (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 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 9.09% of annual covered salary was the portion used to fund pension obligations. For the fiscal year 2004, 9.09% was also used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$221,195, \$171,840 and \$148,557, respectively; 97% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$6,995 representing the unpaid contribution for fiscal year 2005 is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer defined benefit pension plan. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3746 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, the member invests member contributions, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001.

Notes to the Basic Financial Statements

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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The Service Center was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2004, 13% was also the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.. The Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$500,729, \$451,513 and \$468,284, respectively; 88% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$61,047, representing the unpaid contribution for fiscal year 2005, is recorded as a liability within the respective funds. Contributions to the DC and Combined plans for fiscal year 2005 were \$8,099 made by the Service Center and \$71,696 made by the plan members.

NOTE 10 - POSTEMPLOYMENT BENEFITS

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Health care benefits are financed on a pay-as-you-go basis.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The retirement board currently allocates employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the Service Center this amount equaled \$38,518 during the 2005 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.1 billion at June 30, 2004, (latest information available). For the year ended June 30, 2004, (latest information available), the net health care costs paid by the STRS were \$268,739,000 and eligible benefit recipients totaled 111,853.

For the School Employees Retirement System (SERS), coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply. For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$24,500. The surcharge, added to the unallocated portion of the 14% contribution rate, provides for maintenance of the asset target level for the health care fund. For the Service Center, the amount of employer contributions used to fund health care equaled \$181,519, which includes a surcharge of \$39,653 during the 2005 fiscal year.

Summit County Educational Service Center

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004, (latest information available) were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, the SERS's net assets available for payment of health care benefits were \$300.8 million, at cost. The number of participants receiving health care benefits was approximately 62,000.

NOTE 11 - LONG TERM OBLIGATIONS

Changes in long-term obligations of the Service Center during the current fiscal year were as follows:

	<i>Balance</i>			<i>Amount</i>	
	<i>July 1</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance June 30</i>	<i>due within one year</i>
<i>Governmental Activities</i>					
<i>Compensated absences</i>	\$ 245,749	\$ -	\$ (83,840)	\$ 161,909	\$ 33,838
<i>Capital leases</i>	19,558	-	(11,665)	\$ 7,893	7,893
<i>Total governmental activities</i>					
<i>long-term liabilities</i>	<u>\$ 265,307</u>	<u>\$ -</u>	<u>\$ (95,505)</u>	<u>\$ 169,802</u>	<u>\$ 41,731</u>

Compensated absences report a total reduction of \$83,840 in the table above. This primarily is a result of the beginning balance of \$245,749 including an amount accrued for vacation benefits payable, which is now reported separately on the statement of net assets. Compensated absences will be paid from the fund in which the employee is paid. In prior years, this fund has primarily been the general fund. Capital leases will be paid from the general fund.

NOTE 12 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The Service Center has entered into capitalized leases for the acquisition of copier equipment. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease have been capitalized in the amount of \$48,000; this amount is equal to the present value of the future minimum lease payments at the time of acquisition in the government-wide financial statements.

Principal payments in the current fiscal year totaled \$11,665. The final payments for these leases will be made during fiscal year 2006. The total payments will be in the amount of \$8,101, with \$7,893 representing principal and \$208 representing interest costs.

Notes to the Basic Financial Statements

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

Northeast Ohio Network for Educational Technology (NEOnet) is the computer service organization or Data Acquisition Site (DAS) used by the Service Center. NEOnet is an association of public districts in a geographic area determined by the Ohio Department of Education. The Summit County Educational Service Center acts as the fiscal agent for the consortium. The purpose of the consortium is to develop and employ a computer system efficiently and effectively for the needs of the member Boards of Education. All districts in the consortium are required to pay fees, charges, and assessments as charged. A board made up of superintendents from all of the participating districts governs NEOnet. An elected Executive Board consisting of five members of the governing board is the managerial body of the consortium and meets on a monthly basis.

The Service Center does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to NEOnet are made from the general fund. During the current fiscal year the Service Center contributed approximately \$21,000 to NEOnet.

NOTE 14 – CONTINGENCIES

A. Grants:

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

B. Other Contingencies:

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The Service Center is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 15 - FUND DEFICIT

As of June 30, 2005, the public school preschool special revenue fund reported deficit fund balance (\$2,288) and net asset balance (\$1,288). These deficits were caused by the application of generally accepted accounting principles. The general fund provides advances to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

Summit County Educational Service Center

NOTE 16 - OPERATING LEASE

The Service Center (the “Lessee”) has entered into an operating lease, for a ten year period commencing on July 1, 2002. The lease is with the Cuyahoga Falls City School District Board of Education (the “Lessor”) for facilities to house the offices and functions of the Service Center. Current year lease payments were \$103,624. Each July 1, the annual lease charge will be increased by the same percentage as the increase in the Consumer Price Index (CPI) over the previous twelve-month period (July 1 - June 30) as defined in Standards and Poor’s Index. Either party upon one year’s advance written notice, with the termination date being June 30, can initiate the early termination of this lease.

NOTE 17 - SUBSEQUENT EVENT

In December 2005, the Service Center entered into an agreement with the Cuyahoga Falls City School District Board of Education to purchase the afore-mentioned facilities (the Property) that are leased and which are used to house the offices and functions of the Service Center. The purchase price is the sum of \$965,000, less any lease payments made subsequent to July 1, 2005 and a \$100,000 credit for necessary repairs, component replacements, renovations, and associated work to the heating system serving the building on the Property. This purchase agreement supersedes all prior agreements, arrangements, and communications, whether oral or written, including the operating lease that commenced on July 1, 2002.

*Combining Statements for
Nonmajor Governmental Funds
and
Individual Fund Schedules for
Governmental Funds*

Combining Statements – Nonmajor Funds

Nonmajor Special Revenue Funds

Special revenue funds are established to account for revenues from specific sources, which legally, or otherwise, are restricted to expenditures for specific purposes. A description of the Service Center's special revenue funds follows:

Other Local

To account for funds received from individuals and member districts, in which there are no trust agreements, to be used for preschool field trips, math in-services and continuous improvement projects.

Miscellaneous Local Grants

To account for funds received from private organizations that are restricted for specific purposes.

Management Information Systems

To account for state funds provided to assist the Service Center in implementing a staff, student, and financial reporting system as mandated by the Omnibus Education Reform Act of 1989.

Public School Preschool

To account for state monies used to assist the Service Center in paying the cost of preschool programs for children ages three through five year.

Entry Year Program

To account for state grants designed to assist beginning teachers via mentors who will offer the support necessary to help them meet "real-world" fulltime classroom and building challenges.

SchoolNet Professional Development

To account for a limited number of professional development subsidy grants.

Miscellaneous State Grants

To account for monies received from state agencies which are not classified elsewhere.

IDEA Grant

To assist local education agencies with educating special education students.

Combining Statements – Nonmajor Funds

Nonmajor Special Revenue Funds

EHA Preschool Grant

To account for federal funds used for the improvement and expansion of services for handicapped children ages three through five years.

Miscellaneous Federal Grants

To account for various monies received through state agencies from the federal government and directly from the federal government which are not classified elsewhere.

Summit County Educational Service Center
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	Other Local	Miscellaneous Local Grants	Management Information Systems	Public School Preschool
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 129,026	\$ 34,372	\$ -	\$ 288
Receivables:				
Intergovernmental	-	15,537	-	2,518
<i>Total Assets</i>	<u>\$ 129,026</u>	<u>\$ 49,909</u>	<u>\$ -</u>	<u>\$ 2,806</u>
<u>Liabilities:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Wages	-	8,552	-	-
Interfund Payable	-	-	-	1,510
Intergovernmental Payable	-	1,322	-	2,584
Deferred Revenue	-	594	-	1,000
<i>Total Liabilities</i>	<u>-</u>	<u>10,468</u>	<u>-</u>	<u>5,094</u>
<u>Fund Balance:</u>				
Reserved for Encumbrances	-	138	-	286
Unreserved, Undesignated, Reported in Special Revenue Funds	129,026	39,303	-	(2,574)
<i>Total Fund Balances (Deficit)</i>	<u>129,026</u>	<u>39,441</u>	<u>-</u>	<u>(2,288)</u>
<i>Total Liabilities and Fund Balances (Deficit)</i>	<u>\$ 129,026</u>	<u>\$ 49,909</u>	<u>\$ -</u>	<u>\$ 2,806</u>

Entry Year Program	SchoolNet Professional Development	Miscellaneous State Grants	IDEA Grant	EHA Preschool Grant	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ 2,961	\$ 44,985	\$ -	\$ 502	\$ -	\$ 212,134
-	-	-	-	4,724	-	22,779
<u>\$ -</u>	<u>\$ 2,961</u>	<u>\$ 44,985</u>	<u>\$ -</u>	<u>\$ 5,226</u>	<u>\$ -</u>	<u>\$ 234,913</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,329	\$ -	\$ 1,329
-	-	3,798	-	-	-	12,350
-	-	-	-	851	-	2,361
-	-	713	-	1,553	-	6,172
-	-	-	-	-	-	1,594
-	-	4,511	-	3,733	-	23,806
-	50	667	-	-	-	1,141
-	2,911	39,807	-	1,493	-	209,966
-	2,961	40,474	-	1,493	-	211,107
<u>\$ -</u>	<u>\$ 2,961</u>	<u>\$ 44,985</u>	<u>\$ -</u>	<u>\$ 5,226</u>	<u>\$ -</u>	<u>\$ 234,913</u>

Summit County Educational Service Center
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2005

	Other Local	Miscellaneous Local Grants	Management Information Systems	Public School Preschool
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ 93,244	\$ 3,000	\$ 149,058
Charges for Services	12,422	26,447	-	-
Gifts and Donations	-	3,150	-	-
Total Revenues	<u>12,422</u>	<u>122,841</u>	<u>3,000</u>	<u>149,058</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Special	912	46,683	-	99,067
Adult/Continuing	-	-	-	-
Support Services:				
Pupils	-	-	-	41,520
Instructional Staff	2,000	58,825	-	-
Administration	-	-	-	-
Fiscal	-	-	-	-
Central	40,000	4,294	2,974	600
Total Expenditures	<u>42,912</u>	<u>109,802</u>	<u>2,974</u>	<u>141,187</u>
<i>Net Change in Fund Balances</i>	(30,490)	13,039	26	7,871
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>159,516</u>	<u>26,402</u>	<u>(26)</u>	<u>(10,159)</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 129,026</u>	<u>\$ 39,441</u>	<u>\$ -</u>	<u>\$ (2,288)</u>

Entry Year Program	SchoolNet Professional Development	Miscellaneous State Grants	IDEA Grant	EHA Preschool Grant	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 1,100	\$ 2,925	\$ 467,937	\$ -	\$ 58,435	\$ -	\$ 775,699
-	-	-	-	-	-	38,869
-	-	-	-	-	-	3,150
1,100	2,925	467,937	-	58,435	-	817,718
-	-	-	-	42,657	-	189,319
-	-	3,843	-	-	-	3,843
-	-	58,026	-	5,400	-	104,946
1,400	1,166	266,019	-	-	-	329,410
-	-	188,664	-	-	-	188,664
-	-	11,200	-	-	-	11,200
-	-	-	-	1,329	89,171	138,368
1,400	1,166	527,752	-	49,386	89,171	965,750
(300)	1,759	(59,815)	-	9,049	(89,171)	(148,032)
300	1,202	100,289	-	(7,556)	89,171	359,139
\$ -	\$ 2,961	\$ 40,474	\$ -	\$ 1,493	\$ -	\$ 211,107

*Individual Fund Schedules of Revenues,
Expenditures and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual*

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,579,771	\$ 2,579,771	\$ -
Interest	118,692	129,941	11,249
Tuition and Fees	658,179	670,918	12,739
Customer Sales & Service	3,906,273	3,737,221	(169,052)
Miscellaneous	21,143	21,143	-
Total Revenues	<u>7,284,058</u>	<u>7,138,994</u>	<u>(145,064)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Salaries	150,961	150,961	-
Fringe Benefits	23,863	23,863	-
Purchased Services	203,797	520	203,277
Materials and Supplies	43,504	6,530	36,974
Capital Outlay - New	19	-	19
Total Regular	<u>422,144</u>	<u>181,874</u>	<u>240,270</u>
Special:			
Salaries and Wages	1,387,505	1,387,505	-
Fringe Benefits	400,788	399,458	1,330
Purchased Services	62,892	33,518	29,374
Materials and Supplies	12,876	11,397	1,479
Total Special	<u>1,864,061</u>	<u>1,831,878</u>	<u>32,183</u>
Vocational:			
Salaries	38,683	38,683	-
Fringe Benefits	13,956	13,956	-
Total Vocational	<u>52,639</u>	<u>52,639</u>	<u>-</u>
Total Instruction	<u>2,338,844</u>	<u>2,066,391</u>	<u>272,453</u>
Support Services:			
Pupils:			
Salaries and Wages	1,395,381	1,395,381	-
Fringe Benefits	338,631	338,631	-
Purchased Services	185,624	120,785	64,839
Materials and Supplies	14,673	14,566	107
Total Pupils	<u>1,934,309</u>	<u>1,869,363</u>	<u>64,946</u>

(continued)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Instructional Staff:			
Salaries and Wages	1,334,352	1,334,352	-
Fringe Benefits	307,607	307,607	-
Purchased Services	312,545	239,048	73,497
Materials and Supplies	79,468	64,546	14,922
Other	10,119	7,675	2,444
Capital Outlay	9,504	3,790	5,714
Total Instructional Staff	2,053,595	1,957,018	96,577
Board of Governors:			
Salaries and Wages	5,840	5,840	-
Fringe Benefits	1,334	1,334	-
Purchased Services	16,518	14,812	1,706
Materials and Supplies	813	813	-
Other	22,321	22,321	-
Total Board of Governors	46,826	45,120	1,706
Administration:			
Salaries and Wages	274,657	274,657	-
Fringe Benefits	67,399	67,399	-
Purchased Services	354,713	213,405	141,308
Materials and Supplies	1,126	1,025	101
Other	4,922	4,922	-
Total Administration	702,817	561,408	141,409
Fiscal:			
Salaries and Wages	143,945	143,945	-
Fringe Benefits	51,473	51,473	-
Purchased Services	2,000	487	1,513
Materials and Supplies	3,425	3,425	-
Other	34,733	32,568	2,165
Total Fiscal	235,576	231,898	3,678
Business:			
Salaries	8,997	8,997	-
Fringe Benefits	2,393	2,393	-
Purchased Services	9,618	9,459	159
Materials and Supplies	34,829	30,431	4,398
Total Business	55,837	51,280	4,557

(continued)

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<i>Operation and Maintenance of Plant:</i>			
Salaries and Wages	788	788	-
Fringe Benefits	122	122	-
Purchased Services	136,453	127,963	8,490
Materials and Supplies	4,890	4,065	825
Capital Outlay	4,007	4,007	-
Total Operation and Maintenance of Plant	<u>146,260</u>	<u>136,945</u>	<u>9,315</u>
<i>Central:</i>			
Salaries and Wages	131,967	131,967	-
Fringe Benefits	42,360	42,360	-
Purchased Services	133,023	111,110	21,913
Materials and Supplies	305	305	-
Total Central	<u>307,655</u>	<u>285,742</u>	<u>21,913</u>
Total Support Services	<u>5,482,875</u>	<u>5,138,774</u>	<u>344,101</u>
<i>Extracurricular Activities:</i>			
Salaries and Wages	16,773	16,773	-
Fringe Benefits	2,663	2,663	-
Total Extracurricular Activities	<u>19,436</u>	<u>19,436</u>	<u>-</u>
Total Expenditures	<u>7,841,155</u>	<u>7,224,601</u>	<u>616,554</u>
Excess of Revenues Over (Under) Expenditures	<u>(557,097)</u>	<u>(85,607)</u>	<u>471,490</u>
<u><i>Other Financing Sources (Uses):</i></u>			
Advances In	18,017	18,017	-
Advances Out	(96,441)	(96,441)	-
Total Other Financing Sources (Uses)	<u>(78,424)</u>	<u>(78,424)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(635,521)	(164,031)	471,490
<i>Fund Balance (Deficit) at Beginning of Year</i>	4,462,870	4,462,870	-
<i>Prior Year Encumbrances Appropriated</i>	114,670	114,670	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,942,019</u>	<u>\$ 4,413,509</u>	<u>\$ 471,490</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Other Local Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Customer Sales and Services	\$ 2,972	\$ 12,422	\$ 9,450
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Purchased Services	1,326	912	414
Support Services:			
Instructional Staff:			
Purchased Services	2,000	2,000	-
Central:			
Purchased Services	149,990	49,450	100,540
Materials and Supplies	7	-	7
Capital Outlay	9,166	-	9,166
Total - Central	159,163	49,450	109,713
Total - Support Services	159,163	49,450	109,713
Total Expenditures	162,489	52,362	110,127
<i>Net Change in Fund Balance</i>	(159,517)	(39,940)	119,577
<i>Fund Balance (Deficit) at Beginning of Year</i>	159,517	159,517	-
<i>Fund Balance (Deficit) at End of Year</i>	\$ -	\$ 119,577	\$ 119,577

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Miscellaneous Local Grants Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 93,838	\$ 78,301	\$ (15,537)
Gifts and Donations	3,150	3,150	-
Customer Sales and Services	26,447	26,447	-
Total Revenues	<u>123,435</u>	<u>107,898</u>	<u>(15,537)</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Salaries	31,300	27,329	3,971
Fringe Benefits	5,696	4,751	945
Purchased Services	566	516	50
Materials and Supplies	13,500	13,237	263
Capital Outlay	1,554	1,097	457
Total - Special	<u>52,616</u>	<u>46,930</u>	<u>5,686</u>
Support Services:			
Instructional Staff:			
Salaries	35,981	29,292	6,689
Fringe Benefits	15,312	13,136	2,176
Purchased Services	48,675	16,359	32,316
Materials and Supplies	1,200	-	1,200
Total Instructional Staff	<u>101,168</u>	<u>58,787</u>	<u>42,381</u>
Central:			
Purchased Services	6,000	4,294	1,706
Total Support Services	<u>107,168</u>	<u>63,081</u>	<u>44,087</u>
Total Expenditures	<u>159,784</u>	<u>110,011</u>	<u>49,773</u>
<i>Net Change in Fund Balance</i>	(36,349)	(2,113)	34,236
<i>Fund Balance (Deficit) at Beginning of Year</i>	36,209	36,209	-
<i>Prior Year Encumbrances Appropriated</i>	140	140	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ 34,236</u>	<u>\$ 34,236</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Management Information System Fund
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
<u>Expenditures:</u>			
Current:			
Support Services:			
Central:			
Salaries	3,000	3,000	-
<i>Net Change in Fund Balance</i>	-	-	-
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Public School Preschool Fund
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 150,058	\$ 147,540	\$ (2,518)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special			
Salaries	79,357	79,357	0
Fringe Benefits	13,998	13,998	0
Materials and Supplies	4,500	4,492	8
Total Special	<u>97,855</u>	<u>97,847</u>	<u>8</u>
Support Services:			
Pupils:			
Purchased Services	41,520	41,520	-
Central:			
Purchased Services	1,600	600	1,000
Total Support Services:	<u>43,120</u>	<u>42,120</u>	<u>1,000</u>
Total Expenditures	<u>140,975</u>	<u>139,967</u>	<u>1,008</u>
Excess of Revenues Over (Under) Expenditures	<u>9,083</u>	<u>7,573</u>	<u>(1,510)</u>
<u>Other Financing Sources and (Uses):</u>			
Advances In	-	1,510	1,510
Advances Out	(10,327)	(10,327)	-
Total Other Financing Sources and (Uses):	<u>(10,327)</u>	<u>(8,817)</u>	<u>1,510</u>
<i>Net Change in Fund Balance</i>	(1,244)	(1,244)	-
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Prior Year Encumbrances Appropriated</i>	1,244	1,244	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Entry Year Program Fund
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 1,100	\$ 1,100	\$ -
<u>Expenditures:</u>			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	1,100	1,100	
Materials and Supplies	300	300	-
Total Instructional Staff	<u>1,400</u>	<u>1,400</u>	<u>-</u>
Total Expenditures	<u>1,400</u>	<u>1,400</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(300)	(300)	-
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Prior Year Encumbrances Appropriated</i>	300	300	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
School Net Professional Development Fund
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 2,925	\$ 2,925	\$ -
<u>Expenditures:</u>			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	4,127	1,216	2,911
Excess of Revenues Over (Under) Expenditures	<u>(1,202)</u>	<u>1,709</u>	<u>2,911</u>
<u>Other Financing Sources and (Uses):</u>			
Refund of Prior Year Receipts	<u>(1,152)</u>	<u>(1,152)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(2,354)	557	2,911
<i>Fund Balance Beginning of Year</i>	2,304	2,304	-
<i>Prior Year Encumbrances Appropriated</i>	50	50	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ 2,911</u>	<u>\$ 2,911</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Miscellaneous State Grants Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 467,937	\$ 467,937	\$ -
Expenditures:			
Current:			
Instruction:			
Adult/Continuing:			
Purchased Services	3,843	3,843	-
Support Services:			
Pupils:			
Salaries	57,987	57,987	-
Instructional Staff:			
Purchased Services	275,383	245,899	29,484
Materials and Supplies	22,520	20,520	2,000
Total Instructional Staff	297,903	266,419	31,484
Administration:			
Salaries	116,139	111,029	5,110
Fringe Benefits	19,491	18,147	1,344
Purchased Services	16,095	13,072	3,023
Materials and Supplies	8,660	5,302	3,358
Capital Outlay	11,697	11,697	-
Total Administration	172,082	159,247	12,835
Fiscal:			
Purchased Services	11,200	11,200	-
Total Support Services	539,172	494,853	44,319
Total Expenditures	543,015	498,696	44,319
Excess of Revenues Over (Under) Expenditures	(75,078)	(30,759)	44,319
Other Financing Sources and (Uses):			
Refund of Prior Year Receipts	(32,823)	(32,823)	-
<i>Net Change in Fund Balance</i>	(107,901)	(63,582)	44,319
<i>Fund Balance Beginning of Year</i>	62,809	62,809	-
<i>Prior Year Encumbrances Appropriated</i>	45,092	45,092	-
<i>Fund Balance (Deficit) at End of Year</i>	\$ -	\$ 44,319	\$ 44,319

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
IDEA Grant Fund
For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 72,568	\$ 16,664	\$ (55,904)
<u>Expenditures:</u>			
Current:			
Support Services:			
Central:			
Salaries	39,172	-	39,172
Fringe Benefits	7,938	87	7,851
Purchased Services	868	-	868
Materials and Supplies	33,263	30,552	2,711
Other	1,650	1,223	427
Capital Outlay	83,757	78,871	4,886
Total Central	166,648	110,733	55,915
Total Expenditures	166,648	110,733	55,915
Excess of Revenues Over (Under) Expenditures	(94,080)	(94,069)	11
<u>Other Financing Sources and (Uses):</u>			
Advances In	94,080	94,080	-
<i>Net Change in Fund Balance</i>	-	11	11
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Fund Balance (Deficit) at End of Year</i>	\$ -	\$ 11	\$ 11

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
EHA Preschool Grant Fund
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 54,562	\$ 53,711	\$ (851)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special			
Salaries	27,826	31,698	(3,872)
Fringe Benefits	7,543	5,705	1,838
Materials and Supplies	6,550	4,516	2,034
Total Special	<u>41,919</u>	<u>41,919</u>	<u>-</u>
Support Services:			
Pupils:			
Purchased Services	5,400	5,400	-
Total Expenditures	<u>47,319</u>	<u>47,319</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>7,243</u>	<u>6,392</u>	<u>(851)</u>
<u>Other Financing Sources and (Uses):</u>			
Advances In	-	851	851
Advances Out	(7,690)	(7,690)	-
Total Other Financing Sources and (Uses):	<u>(7,690)</u>	<u>(6,839)</u>	<u>851</u>
<i>Net Change in Fund Balance</i>	(447)	(447)	-
<i>Fund Balance Beginning of Year</i>	1	1	-
<i>Prior Year Encumbrances Appropriated</i>	446	446	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Summit County Educational Service Center
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Miscellaneous Federal Grants Fund
For the Fiscal Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Total Revenues	\$ -	\$ -	\$ -
<u>Expenditures:</u>			
Current:			
Support Services:			
Central:			
Purchased Services	\$ 25,604	\$ 25,604	-
Materials and Supplies	4,886	4,886	-
Capital Outlay	<u>58,936</u>	<u>58,936</u>	<u>-</u>
Total Expenditures	<u>89,426</u>	<u>89,426</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(89,426)	(89,426)	-
<i>Fund Balance Beginning of Year</i>	11,425	11,425	-
<i>Prior Year Encumbrances Appropriated</i>	78,001	78,001	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statements Agency Funds

Agency funds are used to account for assets held by the Service Center as an agent for individuals, private organizations, and other governments. A description of the Service Center's agency funds follows:

Service Center Agency

To account for those assets held by the Service Center for school districts that participate in a variety of programs. Control of these funds rests solely with the members of each program. The Service Center acts as the fiscal agent of the funds.

NEOnet

To account for the funds associated with the Northeast Ohio Network for Educational Technology data acquisition site. This is a "fiscal agent" arrangement.

Employee Benefits

To account for those assets held by the Service Center as an agent for individuals. Assets held include items related to payroll transactions.

Summit County Educational Service Center
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2005

	Service Center Agency	NEOnet	Employee Benefits	Total Agency Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 232,506	\$ 1,422,743	\$ 12,968	\$ 1,668,217
Accounts Receivable	-	7,495	-	7,495
Intergovernmental Receivable	-	15,317	-	15,317
<i>Total Assets</i>	<u>\$ 232,506</u>	<u>\$ 1,445,555</u>	<u>\$ 12,968</u>	<u>\$ 1,691,029</u>
 <u>Liabilities:</u>				
Accounts Payable	\$ -	\$ 5,454	\$ -	\$ 5,454
Accrued Wages	-	28,537	-	28,537
Accrued Vacation Leave Payable	-	32,533	-	32,533
Intergovernmental Payable	-	6,060	12,968	19,028
Undistributed Monies	232,506	1,372,971	-	1,605,477
<i>Total Liabilities</i>	<u>\$ 232,506</u>	<u>\$ 1,445,555</u>	<u>\$ 12,968</u>	<u>\$ 1,691,029</u>

Summit County Educational Service Center
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2005

	Beginning Balance 7/1/04	Additions	Deductions	Ending Balance 6/30/05
Service Center Agency				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 111,874	\$ 135,644	\$ 15,012	\$ 232,506
<u>Liabilities:</u>				
Undistributed Monies	\$ 111,874	\$ 135,644	\$ 15,012	\$ 232,506
NEOnet				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,564,505	\$ 2,073,046	\$ 2,214,808	\$ 1,422,743
Accounts Receivable	-	7,495	-	7,495
Intergovernmental Receivable	29,583	15,317	29,583	15,317
Total Assets	<u>\$ 1,594,088</u>	<u>\$ 2,095,858</u>	<u>\$ 2,244,391</u>	<u>\$ 1,445,555</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 68,572	\$ 5,454	\$ 68,572	\$ 5,454
Accrued Wages	25,997	28,537	25,997	28,537
Accrued Vacation Leave Payable	-	32,533	-	32,533
Intergovernmental Payable	13,997	6,060	13,997	6,060
Undistributed Monies	1,485,522	-	112,551	1,372,971
Total Liabilities	<u>\$ 1,594,088</u>	<u>\$ 72,584</u>	<u>\$ 221,117</u>	<u>\$ 1,445,555</u>
Employee Benefits				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 7,421	\$ 22,311	\$ 16,764	\$ 12,968
<u>Liabilities:</u>				
Intergovernmental Payable	\$ 7,421	\$ 22,311	\$ 16,764	\$ 12,968
Total - All Agency Funds				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,683,800	\$ 2,231,001	\$ 2,246,584	\$ 1,668,217
Accounts Receivable	-	7,495	-	7,495
Intergovernmental Receivable	29,583	15,317	29,583	15,317
Total Assets	<u>\$ 1,713,383</u>	<u>\$ 2,253,813</u>	<u>\$ 2,276,167</u>	<u>\$ 1,691,029</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 68,572	\$ 5,454	\$ 68,572	\$ 5,454
Accrued Wages	25,997	28,537	25,997	28,537
Accrued Vacation Leave Payable	-	32,533	-	32,533
Intergovernmental Payable	21,418	28,371	30,761	19,028
Undistributed Monies	1,597,396	135,644	127,563	1,605,477
Total Liabilities	<u>\$ 1,713,383</u>	<u>\$ 230,539</u>	<u>\$ 252,893</u>	<u>\$ 1,691,029</u>

Summit County
**Educational
Service Center**



Summit County Educational Service Center
Revenues by Source and Expenses by Function - Governmental Activities
Last Four Fiscal Years (1)

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002
<u>Revenues:</u>				
Program revenues:				
Charges for services	\$ 4,661,605	\$ 4,610,240	\$ 4,270,385	\$ 4,556,946
Operating grants and contributions	759,277	1,196,655	695,293	862,064
General revenues:				
Grants and entitlements	2,579,771	2,498,378	2,585,662	1,963,656
Investment earnings	126,759	58,045	78,544	125,806
Miscellaneous	24,293	35,245	38,435	36,842
Total revenues	\$ 8,151,705	\$ 8,398,563	\$ 7,668,319	\$ 7,545,314
<u>Expenses:</u>				
Current:				
Instruction:				
Regular	\$ 209,664	\$ 8,909	\$ 11,290	\$ 58,807
Special	1,923,412	1,870,194	2,105,265	1,900,754
Vocational	53,325	51,425	58,106	177,566
Adult/Continuing	3,843	6,098	48,034	-
Support services:				
Pupils	1,946,972	1,797,642	1,696,117	1,779,513
Instructional staff	2,183,010	2,196,860	2,081,258	1,932,347
Board of governors	28,563	63,916	31,509	19,352
Administration	813,310	768,258	592,645	566,137
Fiscal	236,049	210,193	211,210	206,014
Business	50,286	27,818	57,747	49,106
Operation and maintenance of plant	142,367	148,626	107,352	168,459
Pupil transportation	-	-	-	11,874
Central	433,416	799,918	248,863	446,710
Extracurricular Activities	20,304	-	-	-
Interest and fiscal charges	1,051	1,881	2,359	2,361
Total expenditures	\$ 8,045,572	\$ 7,951,738	\$ 7,251,755	\$ 7,319,000

Source: FY2003 - FY2005 Service Center Audit Reports

(1) Accrual basis will be reported for the last ten years when there are enough years of information available.

Summit County Educational Service Center
General Governmental Revenues by Source and Expenditures by Function
Last Ten Fiscal Years

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002
Revenues:				
Intergovernmental	\$ 3,355,470	\$ 3,697,657	\$ 3,359,436	\$ 2,752,119
Interest	126,759	58,045	78,544	125,806
Tuition and fees	883,945	499,384	362,000	426,351
Gifts and donations	3,150	400	1,300	-
Charges for services	3,824,549	4,061,944	3,958,308	3,939,763
Miscellaneous	21,143	34,845	37,135	36,842
Total revenues	<u>\$ 8,215,016</u>	<u>\$ 8,352,275</u>	<u>\$ 7,796,723</u>	<u>\$ 7,280,881</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 207,839	\$ 8,540	\$ 11,623	\$ 56,809
Special	2,020,576	1,852,159	2,105,228	1,898,949
Vocational	52,865	49,872	59,879	175,364
Adult/continuing	3,843	6,098	48,034	-
Support services:				
Pupils	1,945,466	1,818,538	1,699,325	1,774,633
Instructional staff	2,215,781	2,173,122	2,053,197	1,926,673
Board of governors	47,806	45,037	31,145	19,352
Administration	805,641	772,508	610,079	579,382
Fiscal	238,834	242,727	246,439	209,279
Business	51,649	27,789	53,568	42,980
Operation and maintenance of plant	120,368	121,694	96,325	219,863
Pupil transportation	-	-	-	11,874
Central	419,619	797,732	250,746	477,840
Community services	-	-	-	-
Extracurricular activities	20,295	-	-	-
Capital outlay	-	11,055	-	-
Debt service:				
Principal retirement	11,665	10,835	13,252	11,236
Interest and fiscal charges	1,051	1,881	2,359	2,361
Total expenditures	<u>\$ 8,163,298</u>	<u>\$ 7,939,587</u>	<u>\$ 7,281,199</u>	<u>\$ 7,406,595</u>

Source: FY1996 - FY2005 Service Center Audit Reports

Note: General government includes the general fund and all special revenue fund types. These funds have been redefined with the implementation of GASB Statement No. 34, beginning with the Fiscal Year Ended June 30, 2002.

Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996
\$ 3,847,665	\$ 5,256,585	\$ 7,014,005	\$ 7,833,745	\$ 5,328,802	\$ 4,358,049
298,361	269,925	276,738	142,546	75,196	58,354
306,903	345,943	221,641	274,707	332,772	246,049
-	-	-	-	-	-
3,877,888	2,701,100	2,260,906	1,650,305	1,028,464	1,286,739
207,030	76,196	282,422	87,810	-	-
<u>\$ 8,537,847</u>	<u>\$ 8,649,749</u>	<u>\$ 10,055,712</u>	<u>\$ 9,989,113</u>	<u>\$ 6,765,234</u>	<u>\$ 5,949,191</u>
\$ 35,611	\$ 80,920	\$ 86,115	\$ 309,287	\$ 69,646	\$ 73,409
1,684,129	1,471,551	959,153	831,090	536,933	726,379
185,644	362,991	540,220	487,390	494,721	236,331
-	-	-	-	-	-
1,879,575	1,583,520	2,282,164	1,633,010	1,488,750	1,609,820
2,049,960	3,272,104	2,677,485	2,459,005	2,591,182	2,406,964
23,068	24,080	38,178	19,072	19,912	24,268
554,911	441,680	556,977	1,102,981	538,532	526,276
218,938	219,127	256,703	265,432	171,943	192,833
53,732	65,241	41,757	32,959	49,946	54,387
115,575	1,305,568	1,609,638	119,804	42,495	82,764
11,189	23,049	22,791	21,047	20,861	20,881
328,806	253,313	679,853	254,114	255,177	287,676
-	852	3,286	16,400	3,837	15,000
2,311	2,175	36,237	1,571	-	1,166
2,327	1,110	2,864	2,704	1,864	-
6,694	29,349	-	-	-	-
1,429	1,217	-	-	-	-
<u>\$ 7,153,899</u>	<u>\$ 9,137,847</u>	<u>\$ 9,793,421</u>	<u>\$ 7,555,866</u>	<u>\$ 6,285,799</u>	<u>\$ 6,258,154</u>

Summit County Educational Service Center
General Fund Cash Balance History
Last Ten Fiscal Years

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Fund balance, unreserved	\$ 4,208,418	4,033,875	3,642,819	3,261,798
Total fund balance	\$ 4,319,846	4,120,096	3,793,060	3,349,468
Cash balance	\$ 4,542,994	4,577,537	4,245,869	3,806,111
Cash balance: less encumbrances	\$ 4,431,566	4,491,316	4,104,774	3,718,441

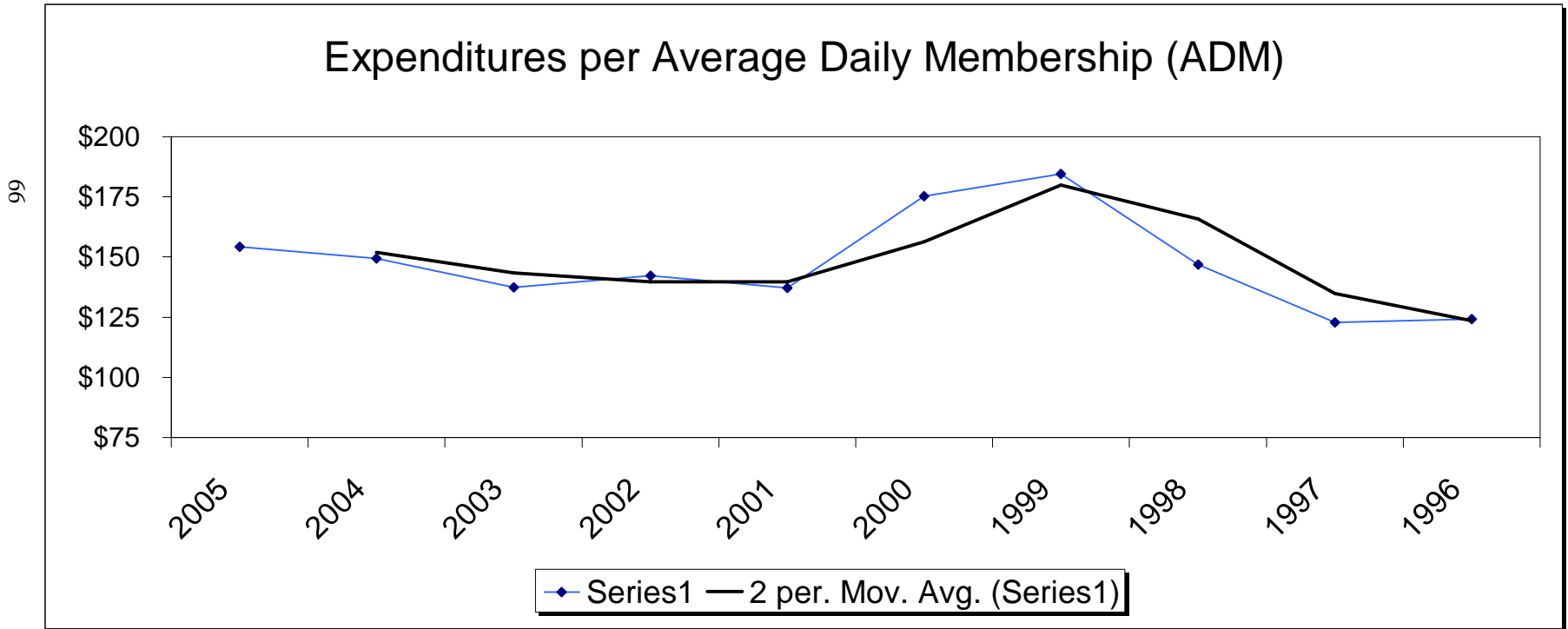
Source: FY1996 - FY2005 Service Center Audit Reports

NOTE: The general fund has been redefined with the implementation of GASB Statement No. 34, beginning with the Fiscal Year ended June 30, 2002.

<u>June 30, 2001</u>	<u>June 30, 2000</u>	<u>June 30, 1999</u>	<u>June 30, 1998</u>	<u>June 30, 1997</u>	<u>June 30, 1996</u>
3,156,582	1,435,835	966,470	440,924	(178,884)	(434,963)
3,617,874	1,907,785	1,238,107	862,301	124,746	(333,058)
3,451,044	2,486,780	1,557,876	1,188,726	635,018	356,788
3,395,583	2,422,315	1,421,260	909,906	410,957	97,528

Summit County Educational Service Center
Expenditures Per Average Daily Membership (ADM)
Last Ten Fiscal Years

Fiscal Year Ended June 30	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
(1) Expenditures	\$ 8,163,298	\$ 7,939,587	\$ 7,281,199	\$ 7,406,595	\$ 7,153,899	\$ 9,137,847	\$ 9,793,421	\$ 7,555,866	\$ 6,285,799	\$ 6,258,154
(2) ADM	52,902	53,152	53,040	52,096	52,191	52,104	53,064	51,439	51,210	50,392
Expenditures/ADM	\$ 154	\$ 149	\$ 137	\$ 142	\$ 137	\$ 175	\$ 185	\$ 147	\$ 123	\$ 124

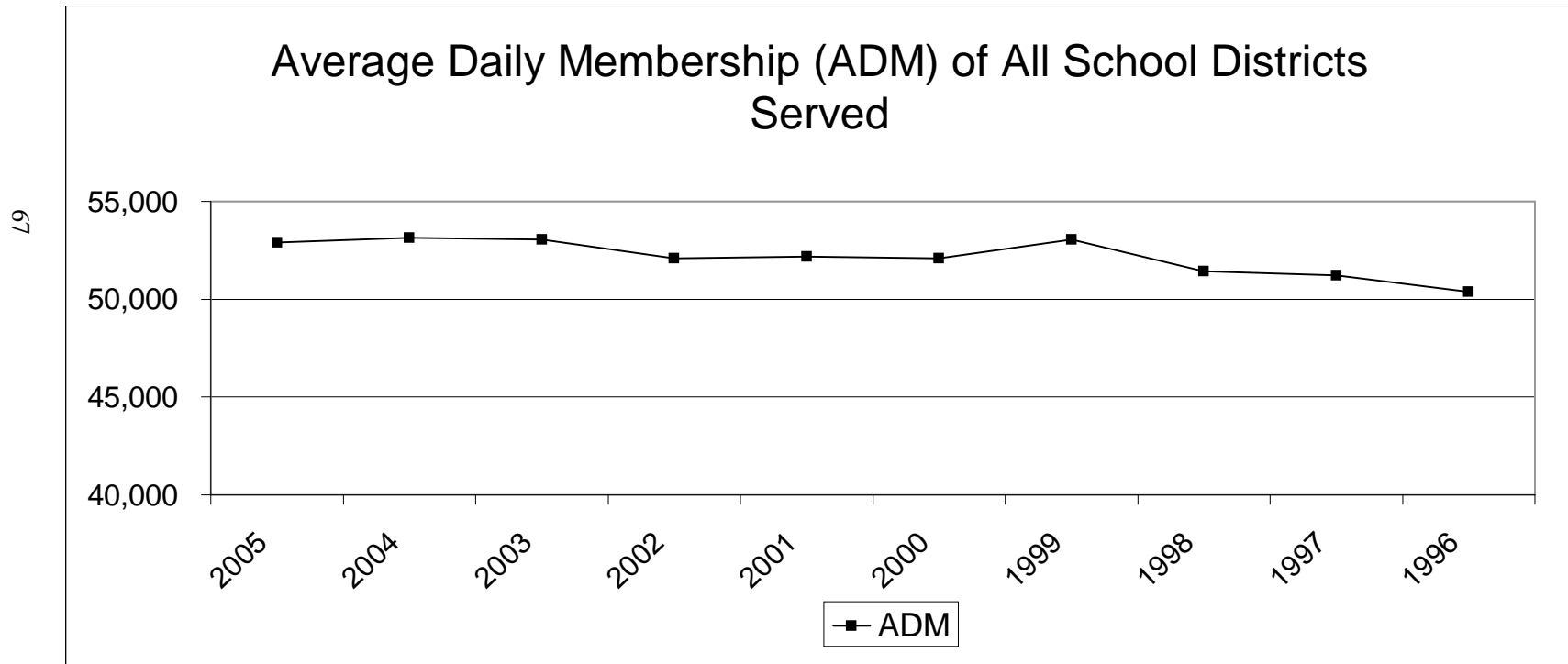


(1) Source: FY1996 - FY2005 Service Center Audit Reports

(2) Source: Annual Financial Report of the Board of Governors (ADU/ODE 4502 reports)

Summit County Educational Service Center
Average Daily Membership (ADM) of All School Districts Served
Last Ten Fiscal Years

Fiscal Year Ended June 30	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
(1) ADM	52,902	53,152	53,040	52,096	52,191	52,104	53,064	51,439	51,210	50,392
Percent Change	-0.47%	0.21%	1.81%	-0.18%	0.17%	-1.81%	3.16%	0.45%	1.62%	1.79%



(1) Source: Annual Financial Report of the Board of Governors (ADU/ODE 4502 reports)

**Summit County Educational Service Center
Miscellaneous Statistics - School Districts Served
Last Three Fiscal Years (1)**

Fiscal Year Ended June 30,	Barberton City School District			Copley-Fairlawn City School District		
	2004	2003	2002	2004	2003	2002
Fall Enrollment	4,223	4,185	4,252	3,082	3,072	3,000
<u>Demographic Data:</u>						
Average Income	\$ 24,669	\$ 24,687	\$ 24,398	\$ 39,807	\$ 40,684	\$ 41,108
Property Valuation/Pupil	100,040	98,265	100,187	240,887	233,871	246,854
<u>Fiscal Data:</u>						
Effective Mills	25.21	25.22	25.14	31.43	31.37	31.30
Average Teacher Salary	\$ 47,399	\$ 43,341	\$ 41,990	\$ 52,597	\$ 51,149	\$ 48,982
<u>Staff Data:</u>						
Average Teacher Experience	13.00	13.00	13.00	14.00	14.00	15.00
Number of Teachers	272.00	314.00	311.00	179.00	182.00	184.00
Student/Teacher Ratio	15.30	14.40	14.60	17.40	20.00	19.60
<u>Output:</u>						
Pupil Attendance Rate	93.70	93.70	93.50	96.60	96.60	96.20
Graduation Rate	71.90	78.10	78.00	95.70	96.10	96.80

Fiscal Year Ended June 30,	Nordonia Hills City School District			Norton City School District		
	2004	2003	2002	2004	2003	2002
Fall Enrollment	3,692	3,661	3,640	2,523	2,517	2,544
<u>Demographic Data:</u>						
Average Income	\$ 39,980	\$ 38,766	\$ 39,329	\$ 31,978	\$ 31,569	\$ 31,457
Property Valuation/Pupil	233,169	231,123	232,739	113,193	119,277	111,347
<u>Fiscal Data:</u>						
Effective Mills	32.00	25.62	25.71	31.16	26.43	26.51
Average Teacher Salary	\$ 51,601	\$ 46,020	\$ 45,546	\$ 47,538	\$ 45,166	\$ 42,795
<u>Staff Data:</u>						
Average Teacher Experience	13.00	13.00	13.00	10.00	11.00	11.00
Number of Teachers	197.00	234.00	229.00	139.00	148.00	154.00
Student/Teacher Ratio	19.00	16.30	17.00	17.90	18.40	19.40
<u>Output:</u>						
Pupil Attendance Rate	95.90	95.90	95.50	95.20	95.20	95.00
Graduation Rate	90.00	92.50	95.80	97.50	97.30	92.90

Source: Ohio Department of Education, Summit County Fiscal Officer, Ohio Department of Taxation

(1) Information is not available for fiscal year 2005 due to this year still being under audit for some schools.

Coventry Local School District			Cuyahoga Falls City School District			Green Local School District		
2004	2003	2002	2004	2003	2002	2004	2003	2002
2,250	2,242	2,416	5,080	5,042	5,154	3,913	3,903	3,927
\$ 30,695	\$ 31,015	\$ 30,517	\$ 30,780	\$ 31,034	\$ 31,257	\$ 35,400	\$ 35,582	\$ 35,574
129,142	163,699	119,833	154,767	148,844	153,588	151,567	137,524	148,560
31.67	34.00	24.03	28.49	28.49	28.39	34.42	34.54	34.36
\$ 41,390	\$ 40,167	\$ 40,687	\$ 45,295	\$ 42,728	\$ 41,796	\$ 48,115	\$ 45,890	\$ 44,554
12.00	12.00	12.00	13.00	13.00	13.00	9.00	10.00	11.00
119.00	132.00	136.00	317.00	328.00	340.00	224.00	245.00	237.00
18.50	21.30	21.60	16.20	16.30	16.20	17.90	18.00	18.40
94.50	94.50	94.00	95.20	95.20	94.60	96.10	96.10	96.50
93.10	95.10	91.80	90.30	89.60	88.90	95.30	97.20	94.30
Revere Local School District			Springfield Local School District			Stow-Munroe Falls City School District		
2004	2003	2002	2004	2003	2002	2004	2003	2002
2,735	2,735	2,769	2,883	2,858	2,950	5,838	5,820	5,749
\$ 50,299	\$ 47,433	\$ 47,913	\$ 29,193	\$ 28,870	\$ 28,490	\$ 37,164	\$ 36,665	\$ 37,749
287,914	266,845	278,996	141,421	139,669	139,203	151,760	145,166	152,519
29.98	30.13	29.52	30.57	29.55	30.83	34.94	34.99	35.38
\$ 54,923	\$ 52,451	\$ 52,375	\$ 48,715	\$ 45,577	\$ 42,079	\$ 52,272	\$ 48,978	\$ 47,433
15.00	15.00	16.00	13.00	13.00	12.00	16.00	16.00	15.00
178.00	176.00	170.00	188.00	192.00	193.00	319.00	322.00	349.00
15.40	17.60	18.70	15.70	17.20	17.50	18.30	19.70	18.80
96.10	96.10	95.60	93.50	93.50	93.50	95.40	95.40	94.80
96.90	98.70	97.80	96.70	83.30	84.90	97.00	92.80	94.80

(Continued)

**Summit County Educational Service Center
Miscellaneous Statistics - School Districts Served
Last Three Fiscal Years (1)**

Fiscal Year Ended June 30,	Hudson City School District			Manchester Local School District		
	2004	2003	2002	2004	2003	2002
Fall Enrollment	5,316	5,300	5,266	1,480	1,479	1,424
<u>Demographic Data:</u>						
Average Income	\$ 60,800	\$ 57,760	\$ 58,139	\$ 32,751	\$ 32,985	\$ 31,975
Property Valuation/Pupil	162,731	158,714	166,023	117,984	116,126	121,509
<u>Fiscal Data:</u>						
Effective Mills	43.49	43.77	37.72	27.16	27.16	27.11
Average Teacher Salary	\$ 56,308	\$ 54,409	\$ 52,312	\$ 46,655	\$ 43,998	\$ 42,645
<u>Staff Data:</u>						
Average Teacher Experience	15.00	14.00	14.00	12.00	12.00	13.00
Number of Teachers	336.00	334.00	330.00	80.00	84.00	83.00
Student/Teacher Ratio	15.90	18.70	19.10	18.40	18.80	18.40
<u>Output:</u>						
Pupil Attendance Rate	96.10	96.10	95.90	95.80	95.80	95.50
Graduation Rate	98.40	96.60	97.40	63.50	94.80	96.40

Fiscal Year Ended June 30,	Tallmadge City School District			Twinsburg City School District		
	2004	2003	2002	2004	2003	2002
Fall Enrollment	2,740	2,730	2,677	3,884	3,872	3,768
<u>Demographic Data:</u>						
Average Income	\$ 33,835	\$ 33,349	\$ 33,962	\$ 42,515	\$ 41,907	\$ 41,610
Property Valuation/Pupil	146,304	141,564	148,202	221,719	228,630	230,279
<u>Fiscal Data:</u>						
Effective Mills	37.13	32.50	32.56	37.36	32.61	32.27
Average Teacher Salary	\$ 49,127	\$ 46,329	\$ 44,474	\$ 50,868	\$ 49,290	\$ 45,798
<u>Staff Data:</u>						
Average Teacher Experience	12.00	13.00	14.00	9.00	10.00	10.00
Number of Teachers	171.00	168.00	165.00	227.00	233.00	230.00
Student/Teacher Ratio	16.00	16.90	17.00	17.30	18.60	18.50
<u>Output:</u>						
Pupil Attendance Rate	96.10	95.80	95.80	96.10	96.10	95.70
Graduation Rate	93.60	91.60	91.60	95.90	95.50	93.20

Source: Ohio Department of Education, Summit County Fiscal Officer, Ohio Department of Taxation

(1) Information is not available for fiscal year 2005 due to this year still being under audit for some schools.

Mogadore Local School District		
2004	2003	2002
865	864	837
\$ 30,826	\$ 31,293	\$ 30,709
134,691	152,594	135,929
34.46	28.57	29.32
\$ 45,701	\$ 43,319	\$ 41,190
11.00	11.00	11.00
56.00	54.00	53.00
15.50	17.10	17.20
95.50	95.50	95.60
98.70	96.90	91.20

Woodridge Local School District		
2004	2003	2002
1,741	1,741	1,723
\$ 33,857	\$ 38,583	\$ 38,885
267,773	251,515	268,689
37.96	31.14	30.73
\$ 45,035	\$ 43,338	\$ 42,425
11.00	10.00	10.00
121.00	128.00	121.00
14.50	14.60	15.10
95.30	95.30	94.80
98.40	94.10	85.70

Total/Highest/Lowest All Districts Served					
2004		2003		2002	
52,245		52,021		52,104	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
\$ 60,800	\$ 24,669	\$ 58,139	\$ 24,398	\$ 58,139	\$ 24,398
287,914	100,040	278,996	100,187	278,996	100,187
43.49	25.21	37.72	24.03	37.72	24.03
\$ 56,308	\$ 41,390	\$ 52,375	\$ 40,687	\$ 52,375	\$ 40,687
16.00	9.00	16.00	10.00	16.00	10.00
336.00	56.00	349.00	53.00	349.00	53.00
19.00	14.50	21.60	14.40	21.60	14.60
96.10	93.30	96.50	93.50	96.50	93.50
96.60	71.60	97.80	78.00	97.80	78.00

Summit County Educational Service Center
Property Values, Bank Deposits and Construction
Last Ten Fiscal Years

<u>Year</u>	<u>Total Assessed Values</u>	<u>Certified Bank Deposits (000's)</u>	<u>Value of Building Permits Issued</u>
2004	\$ 11,878,208	\$ - (1)	\$ 232,841
2003	11,782,689	7,827,789	178,190
2002	10,628,577	8,097,304	188,448
2001	10,506,016	7,870,201	513,216
2000	9,650,738	7,156,344	801,385
1999	9,412,700	7,071,487	799,751
1998	9,164,288	5,749,282	751,858
1997	9,118,858	5,153,519	706,833
1996	8,859,290	4,353,857	646,156
1995	7,550,357	4,267,009	652,677

Sources:

Total Assessed Value - Summit County Fiscal Officer

Financial Institution Deposits - Akron Clearing House, 1997-2000 Cleveland Federal Reserve

Building Permits - County of Summit Executive's Building Department

(1) This information is no longer provided by local banking industries



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SUMMIT COUNTY EDUCATIONAL SERVICE CENTER

SUMMIT 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 9, 2006**