

***SUMMIT COUNTY EDUCATIONAL SERVICE CENTER***

**Audit Report**

**For the Year Ended June 30, 2007**

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





Mary Taylor, CPA  
Auditor of State

Board of Governors  
Summit County Educational Service Center  
420 Washington Avenue, Suite 200  
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, 2006 through June 30, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 29, 2008

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**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER**  
**Audit Report**  
**For the Year Ended June 30, 2007**

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**OPINION ON SUPPLEMENTARY SCHEDULE  
OF FEDERAL AWARDS EXPENDITURES**

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

To the Board of Governors:

We have audited the 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, 2007, and have issued our report thereon dated December 15, 2007. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits conducted 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was performed for the purpose of forming opinions on the financial statements of the Summit County Educational Service Center that collectively comprise the basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget, Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Charles E. Harris & Associates, Inc.*  
December 15, 2007

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER**

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 2007

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Receipts Recognized	Program Disbursements
<i><u>U.S. Department of Education</u></i>				
Pass through Ohio Department of Education				
Special Education Cluster				
SERRC Grant	49965-6BSI-2005	84.027	\$ 129,599	\$ 245,744
SERRC Grant	49965-6BSI-2006	84.027	1,077,681	1,010,073
Special Education Software	49965-6BS3-2007	84.027	-	2,890
2006 Federal Preschool Grant	49965-PGS1-2006	84.173	-	468
2007 Federal Preschool Grant	49965-PGS1-2007	84.173	<u>45,105</u>	<u>46,181</u>
Total Special Education Cluster			1,252,385	1,305,356
State Personnel Development				
SIG Implementation Grant	49965-STS2-2006	84.323	43,690	60,110
SIG Implementation Grant	49965-STS2-2007	84.323	<u>75,509</u>	<u>74,861</u>
Total State Personnel Development			<u>119,199</u>	<u>134,971</u>
Total U.S. Department of Education			<u>1,371,584</u>	<u>1,440,327</u>
Total Federal Expenditures			\$ <u>1,371,584</u>	\$ <u>1,440,327</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures



**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2007**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Governors:

We have audited the financial statements of the Summit County Educational Service Center, Summit County (the Center) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 15, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

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

### 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, grants 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 for the information and use of management, the Board of Governors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*  
December 15, 2007

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

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Governors:

**Compliance**

We have audited the compliance of the Summit County Educational Service Center (the Center) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program cluster for the year ended June 30, 2007. The Center's major federal program cluster is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program cluster is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program cluster for the year ended June 30, 2007.

**Internal Control Over Compliance**

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

**Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be 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 compliance and its operation that we consider to be material weaknesses.**

**This report is intended for the information and use of management, the Board of Governors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris & Associates, Inc.***  
**December 15, 2007**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505**

**SUMMIT EDUCATIONAL SERVICE CENTER  
SUMMIT COUNTY  
June 30, 2007**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER**  
**SUMMIT COUNTY**  
**June 30, 2007**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER  
SUMMIT COUNTY  
JUNE 30, 2007**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2006, reported no material citations or recommendations.



Summit County

# Educational Service Center

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007

Cuyahoga Falls, Ohio



# **Summit County Educational Service Center**

**Cuyahoga Falls, Ohio**

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

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, 2007  
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Summit County  
**Educational  
Service Center**

INTRODUCTORY  
SECTION





December 15, 2007

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, 2007 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 2006-2007 fiscal year end.

Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Service Center. 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 our Independent Auditor's, 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 2005.

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 52,483 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 Linda Fuline who has served in this position since August 2006. Her current contract extends until July 31, 2009. The previous Superintendent, Patrick Corbett, contract expired in July 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 2008.

## **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.

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, data driven decision making.

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. 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 other agencies (Northeast Ohio Network of Educational Technology and the Mid-Eastern Ohio Special Education Resource Center) 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.

Legislation has passed regarding management of regional services offered by the Ohio Department of Education. House Bill 115 established the Educational Regional Service System (ERSS). This new system requires a coordinated, integrated and aligned system to support state and school district efforts to improve school effectiveness and student achievement. The system will consist of sixteen regions. Each region will have a fiscal agent. The selection of a fiscal agent will be through a RFP (request for proposal) process. Selected Fiscal Agents in each region will have the responsibility of allocating resources to provide regional services and also assuring that the state-sponsored regional improvement initiatives are deployed according to Ohio Department of Education guidance. The Summit County Educational Service Center has provided a proposal and has been selected to represent region eight.

Summit County has been historically associated with the rubber industry. Although the rubber industry is still extremely important to the economy in Summit County, the Goodyear Tire and Rubber Company has been replaced as the largest employer in Summit County. It should not come as a surprise that the largest employer in our county is associated with the health industry. Summa Health Systems is now the largest employer in Summit County with 6,102 employees. Akron General Medical Center is in second place with 4,267 employees, finally followed by the Goodyear Tire and Rubber Company with 4,000 employees. Akron City School District is in fourth place with 3,500 employees. The University of Akron takes fifth place with 2,845 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), Jo-Ann Stores, Inc. and A. Schulman, Inc.

Unemployment rates and stocks have been unstable since September 11, 2001. History shows Summit County has fared favorably in unemployment rates compared to National and State rates. Current numbers show this trend is changing. The county unemployment rate in 2006 was at 5.3%. This percentage is down from the 2005 rate that was 5.8%. As a comparison in 2006, the State rate was at 5.5% and the National rate at 4.6%. The workforce is transitioning from manufacturing to service industries. In Akron, the largest segment of employment is still manufacturing followed by construction and trade, transportation and utilities.

In summary, the County's economy appeared to improve from the figures stated for 2006.

## **FINANCIAL INFORMATION**

### **Accounting**

This is the sixth 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 2007 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 2007, a single audit was 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 2006-2007 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 \$329,136.

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 uninsured 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 uninsured 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 2007 were \$689,629 and \$518,830 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, 2007. 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, 2006 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,

A handwritten signature in cursive script that reads "Sondra Clevenger". The signature is written in black ink and is positioned above the printed name and title.

Sondra Clevenger  
Chief Fiscal Officer

*Summit County Educational Service Center*  
**Public Officials Roster**  
**Year Ended June 30, 2007**

Board of Governors

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

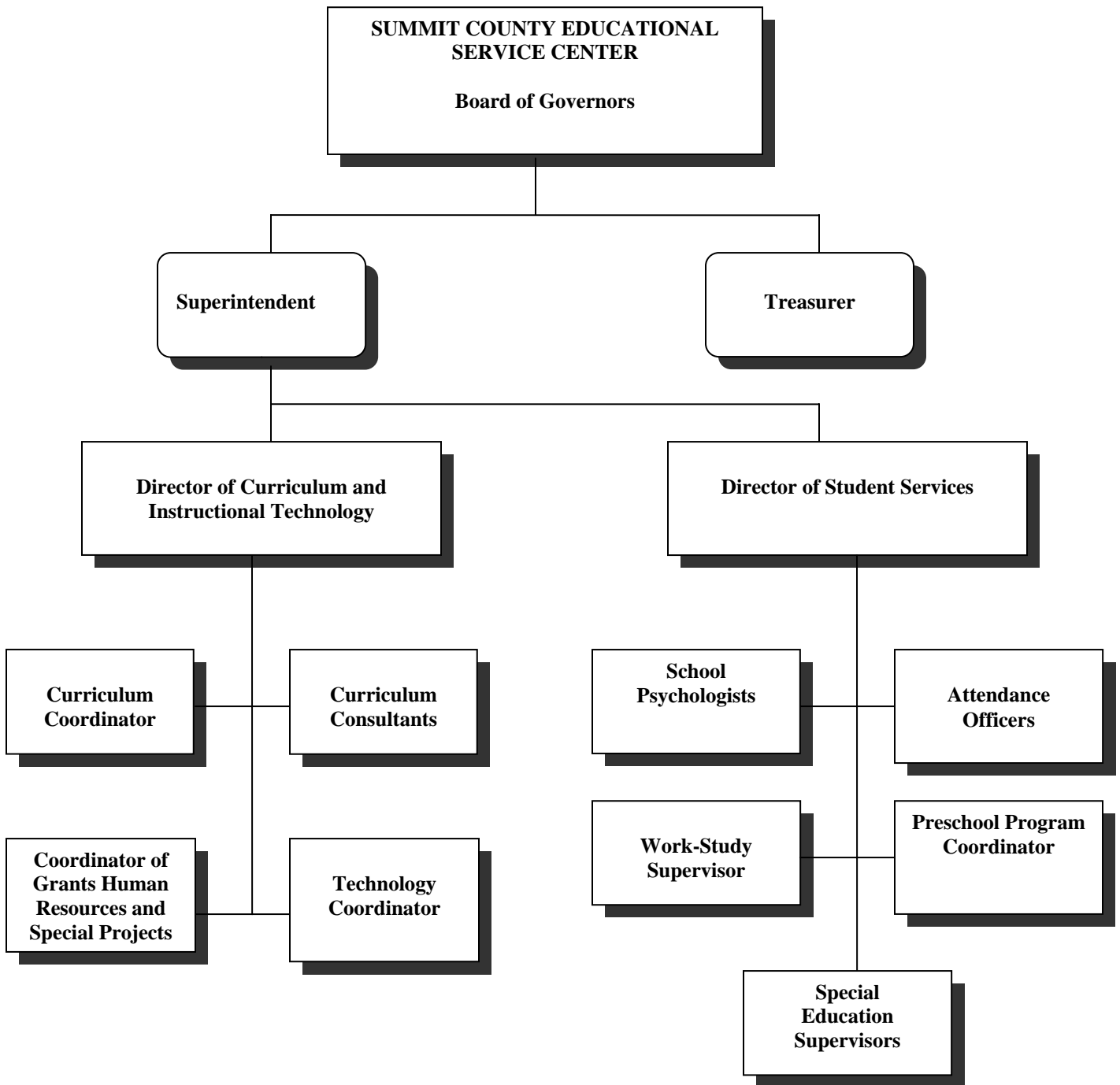
Chief Fiscal Officer

Mrs. Sondra Clevenger

Administration

Mrs. Linda Fuline	Superintendent
Mr. William Holko	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  
Educational Service Center  
Ohio

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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.



President

Executive Director

Summit County  
**Educational  
Service Center**

FINANCIAL  
SECTION



Rockefeller Building  
614 West Superior Avenue #1242  
Cleveland, OH 44113-1306  
Office Phone - (216) 575-1630  
Fax - (216) 436-2411

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Governors:

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, 2007, 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, 2007, and the respective changes in financial position and 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 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 15, 2007 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. 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, budgetary schedules 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 and budgetary schedules 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 no opinion on them.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

*Charles E. Harris & Associates, Inc.*  
December 15, 2007



## *Summit County Educational Service Center*

### Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

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, 2007. 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, the basic financial statements and notes to enhance understanding of the Service Center's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$929,194. This represents a 17.7 percent increase from fiscal year 2006.
- Total assets increased \$1,035,157, or 16.2 percent as compared to fiscal 2006. The most significant asset increase was to intergovernmental receivables, which totaled \$688,506.
- General revenues accounted for \$2,798,526 in revenue, or 26 percent of all revenues. Program specific revenues, in the form of charges for services and operating grants and contributions accounted for \$7,966,056 or 74 percent of all revenues.
- The General fund, the Service Center's only major fund, has \$9,223,688 in revenues, or 90.7 percent of total governmental revenues and \$9,031,829 in expenditures or 91.5 percent of total governmental expenditures. The General fund's balance increased \$191,859 during fiscal year 2007.

### **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.

### **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 2007. 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.

# *Summit County Educational Service Center*

## Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

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 reporting 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.

### **The Service Center as a Whole**

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

# Summit County Educational Service Center

## Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

Table 1 provides a summary of the Service Center's net assets for 2007 compared to 2006:

Table 1  
Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current and other assets	\$ 6,409,884	\$ 5,336,625
Capital assets, net	<u>1,029,469</u>	<u>1,067,565</u>
Total assets	7,439,353	6,404,190
<b>Liabilities</b>		
Long-term liabilities	245,838	234,174
Other liabilities	<u>1,023,370</u>	<u>929,065</u>
Total liabilities	1,269,208	1,163,239
<b>Net Assets</b>		
Invested in capital assets, net of related debt	993,685	1,022,788
Restricted	272,331	166,267
Unrestricted	<u>4,904,129</u>	<u>4,051,896</u>
Total net assets	<u>\$ 6,170,145</u>	<u>\$ 5,240,951</u>

Total assets increased \$1,035,163 or 16.2 percent, as compared to fiscal year 2006. Overall net assets of the Service Center have increased by \$929,194, or 17.7 percent as compared to fiscal year 2006. 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, 2007

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

*Table 2*  
*Changes in Net Assets*

	<i>Governmental Activities</i>	
	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
<i>Program revenues</i>		
<i>Charges for services</i>	\$7,022,060	\$5,273,492
<i>Operating grants and contributions</i>	943,996	829,334
<i>General Revenues</i>		
<i>Grants and entitlements</i>	2,441,160	2,487,564
<i>Investment earnings</i>	329,136	255,665
<i>Miscellaneous</i>	28,230	115,517
<i>Total revenues</i>	<u>10,764,582</u>	<u>8,961,572</u>
<b>Program Expenses</b>		
<i>Instruction</i>		
<i>Regular</i>	369,429	349,962
<i>Special</i>	2,904,473	2,359,153
<i>Vocational</i>	58,931	56,693
<i>Adult/continuing</i>	1,888	4,739
<i>Support services</i>		
<i>Pupils</i>	2,586,241	2,413,522
<i>Instructional staff</i>	2,284,496	2,256,066
<i>Board of governors</i>	55,669	58,371
<i>Administration</i>	846,333	778,517
<i>Fiscal</i>	270,605	249,872
<i>Business</i>	63,513	45,152
<i>Operation and maintenance of plant</i>	123,790	106,250
<i>Central</i>	248,083	207,542
<i>Extracurricular activities</i>	19,638	13,166
<i>Interest and fiscal charges</i>	2,299	1,545
<i>Total expenses</i>	<u>9,835,388</u>	<u>8,900,550</u>
<i>Change in net assets</i>	929,194	61,022
<i>Net Assets Beginning of Year</i>	<u>5,240,951</u>	<u>5,179,929</u>
<i>Net Assets End of Year</i>	<u>\$6,170,145</u>	<u>\$5,240,951</u>

## *Summit County Educational Service Center*

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

### **Governmental Activities**

A review of Table 2 reflects total revenues of \$10,764,582, which was an increase of \$1,803,010 as compared to 2006. The primary increase in revenues was attributed to an increase in charges of services of \$1,748,568. The primary factor causing this increase in revenues was from an increase in services provided to member districts.

The cost of instructional services was \$3,334,721, or 33.9 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 2006 by \$564,174, or 20.4 percent. The primary cause to the overall increase in instructional expenses was caused by an increase in additional educational staffing services provided to member and other local public and private 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 \$4,870,737, or 49.5 percent as compared to the total expenses of the Service Center. These expenses increased \$201,149 or 4.3 percent as compared to 2006. The primary cause to the overall increase in expenses was also caused by an increase in additional educational staffing services provided to member and other local public and private school districts.

Board of governors, administration, fiscal and business include expenses associated with administrative and financial supervision of the Service Center. These expenses totaled \$1,236,120 or 12.6 percent of the total expenses of the Service Center. These expenses only increased \$104,208 as compared to 2006.

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, 2007

Table 3  
Governmental Activities

	<u>Total Cost</u> <u>of Services</u> <u>2007</u>	<u>Total Cost</u> <u>of Services</u> <u>2006</u>	<u>Net Cost</u> <u>of Services</u> <u>2007</u>	<u>Net Cost</u> <u>of Services</u> <u>2006</u>
<b>Program Expenses</b>				
<i>Instruction</i>				
Regular	\$ 369,429	\$ 349,962	\$ (113,595)	\$ 231,518
Special	2,904,473	2,360,482	(410,303)	(403,201)
Vocational	58,931	56,693	86,718	52,667
Adult/continuing	1,888	4,739	4,268	(117)
<i>Support services</i>				
Pupils	2,586,241	2,413,522	(849,694)	(1,080,340)
Instructional staff	2,284,496	2,256,066	(612,643)	(1,168,241)
Board of governors	55,669	58,371	(53,471)	(56,721)
Administration	846,333	778,517	523,819	39,147
Fiscal	270,605	249,872	(229,951)	(219,347)
Business	63,513	45,152	(60,435)	(42,841)
Operation and maintenance of plant	123,790	106,250	(118,953)	(102,618)
Central	248,083	206,213	(13,155)	(32,919)
Extracurricular Activities	19,638	13,166	(19,638)	(13,166)
Interest and fiscal charges	2,299	1,545	(2,299)	(1,545)
Total expenses	<u>\$ 9,835,388</u>	<u>\$ 8,900,550</u>	<u>\$ (1,869,332)</u>	<u>\$ (2,797,724)</u>

The dependence upon general revenues for governmental activities is apparent, with 31 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 \$10,172,488 and expenditures were \$9,874,571, which would indicate that the Service Center was able to meet current costs.

### 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.

# Summit County Educational Service Center

## Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

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 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 \$746,602 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.

### Capital Assets

At the end of fiscal year 2007, the Service Center had \$1,029,469 invested in capital assets. Table 4 reflects fiscal year 2007 balances compared to fiscal year 2006 amounts:

Table 4  
Capital Assets at June 30, 2007  
(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 207,778	\$ 207,778
Furniture and equipment	212,756	248,920
Building and improvements	598,400	610,867
Vehicles	10,535	-
Total capital assets	<u>\$ 1,029,469</u>	<u>\$ 1,067,565</u>

Overall the value of capital assets decreased over the prior year due to the current year depreciation exceeding the current year asset additions. See Note 6 to the basic financial statements for details on the Service Center's capital assets.

## *Summit County Educational Service Center*

Management's Discussion and Analysis

For Fiscal Year Ended June 30, 2007

### **Debt**

At year-end, the Service Center had only a capitalized lease as debt. The lease obligation outstanding at year end totaled \$35,784, which is for four copiers scheduled to mature during fiscal year 2011. See Note 11 to the basic financial statements for detail on the Service Center's long-term obligations.

### **Current Issues**

Legislation has passed regarding management of regional services offered by the Ohio Department of Education. House Bill 115 established the Educational Regional Service System (ERSS). This new system requires a coordinated, integrated and aligned system to support state and school district efforts to improve school effectiveness and student achievement. The system will consist of sixteen regions. Each region will have a fiscal agent. The selection of a fiscal agent will be through a RFP (request for proposal) process. Selected Fiscal Agents in each region will have the responsibility of allocating resources to provide regional services and also assuring that the state-sponsored regional improvement initiatives are deployed according to Ohio Department of Education guidance. The Summit County Educational Service Center will complete an RFP to become the region's fiscal agent. During this, the first year we will watch to see the impact this new system will have on our agency and our school districts. We are hopeful all will benefit.

### **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.



*Basic Financial Statements*

**Summit County Educational Service Center**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,693,363
Receivables:	
Accounts	200
Intergovernmental	1,713,382
Materials and Supplies Inventory	2,939
Nondepreciable Capital Assets	207,778
Depreciable Capital Assets (Net)	821,691
<i>Total Assets</i>	<u>7,439,353</u>
<u>Liabilities:</u>	
Accounts Payable	139,997
Accrued Wages	603,710
Intergovernmental Payable	195,221
Accrued Vacation Leave Payable	78,385
Matured Compensated Absences Payable	6,057
Long-Term Liabilities:	
Due Within One Year	40,586
Due In More Than One Year	205,252
<i>Total Liabilities</i>	<u>1,269,208</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	993,685
Restricted for:	
Other Purposes	272,331
Unrestricted	4,904,129
<i>Total Net Assets</i>	<u>\$ 6,170,145</u>

**Summit County Educational Service Center**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$ 369,429	\$ 161,796	\$ 94,038	\$ (113,595)
Special	2,904,473	2,312,742	181,428	(410,303)
Vocational	58,931	145,649	-	86,718
Adult/Continuing	1,888	6,156	-	4,268
Support Services:				
Pupils	2,586,241	1,736,547	-	(849,694)
Instructional Staff	2,284,496	1,287,488	384,365	(612,643)
Board of Governors	55,669	2,198	-	(53,471)
Administration	846,333	1,088,987	281,165	523,819
Fiscal	270,605	40,654	-	(229,951)
Business	63,513	3,078	-	(60,435)
Operation and Maintenance of Plant	123,790	4,837	-	(118,953)
Central	248,083	231,928	3,000	(13,155)
Extracurricular Activities	19,638	-	-	(19,638)
Interest and Fiscal Charges	2,299	-	-	(2,299)
<i>Total Governmental Activities</i>	<u>\$ 9,835,388</u>	<u>\$ 7,022,060</u>	<u>\$ 943,996</u>	<u>\$ (1,869,332)</u>
 <u>General Revenues:</u>				
				2,441,160
Grants and entitlements not restricted to specific programs				329,136
Investment Earnings				28,230
Miscellaneous				<u>2,798,526</u>
<i>Total General Revenues</i>				
				929,194
<i>Change in Net Assets</i>				
				5,240,951
<i>Net Assets Beginning of Year</i>				<u>\$ 6,170,145</u>
<i>Net Assets End of Year</i>				

**Summit County Educational Service Center**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 4,408,368	\$ 284,995	\$ 4,693,363
<u>Receivables:</u>			
Accounts	200	-	200
Interfund	15,854	-	15,854
Intergovernmental	1,695,098	18,284	1,713,382
Materials and Supplies Inventory	2,939	-	2,939
<i>Total Assets</i>	<u>\$ 6,122,459</u>	<u>\$ 303,279</u>	<u>\$ 6,425,738</u>
<u>Liabilities:</u>			
Accounts Payable	\$ 126,418	\$ 13,579	\$ 139,997
Accrued Wages	603,710	-	603,710
Interfund Payable	-	15,854	15,854
Intergovernmental Payable	193,700	1,521	195,221
Matured Compensated Absences Payable	6,057	-	6,057
Deferred Revenue	1,045,646	-	1,045,646
<i>Total Liabilities</i>	<u>1,975,531</u>	<u>30,954</u>	<u>2,006,485</u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	133,345	111,352	244,697
<u>Unreserved:</u>			
Designated for budget stabilization	148,863	-	148,863
Designated for contingencies	250,000	-	250,000
<u>Undesignated, Reported in:</u>			
General Fund	3,614,720	-	3,614,720
Special Revenue Funds	-	160,973	160,973
<i>Total Fund Balances</i>	<u>4,146,928</u>	<u>272,325</u>	<u>4,419,253</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,122,459</u>	<u>\$ 303,279</u>	<u>\$ 6,425,738</u>

**Summit County Educational Service Center**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2007**

<b>Total Governmental Fund Balances</b>		\$ 4,419,253
<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.		1,029,469
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Intergovernmental Revenue		1,045,646
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	\$ (210,054)	
Vacation Benefits	(78,385)	
Capital Leases	(35,784)	
		<u>(324,223)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 6,170,145</u></u>

***Summit County Educational Service Center***  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2007**

	General	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>			
Intergovernmental	\$ 2,439,721	\$ 943,996	\$ 3,383,717
Interest	329,136	-	329,136
Tuition and Fees	622,444	-	622,444
Charges for Services	5,802,717	4,000	5,806,717
Gifts and Donations	-	804	804
Miscellaneous	29,670	-	29,670
<b><i>Total Revenues</i></b>	<b><u>9,223,688</u></b>	<b><u>948,800</u></b>	<b><u>10,172,488</u></b>
<b><u>Expenditures:</u></b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	315,182	53,560	368,742
Special	2,761,587	136,291	2,897,878
Vocational	58,788	-	58,788
Adult/Continuing	-	1,888	1,888
<b>Support Services:</b>			
Pupils	2,526,111	47,068	2,573,179
Instructional Staff	1,975,484	332,482	2,307,966
Board of Governors	55,669	-	55,669
Administration	633,080	235,605	868,685
Fiscal	274,339	32,848	307,187
Business	60,758	-	60,758
Operation and Maintenance of Plant	97,064	-	97,064
Central	242,847	3,000	245,847
Extracurricular Activities	19,628	-	19,628
<b>Debt Service:</b>			
Principal Retirement	8,993	-	8,993
Interest and Fiscal Charges	2,299	-	2,299
<b><i>Total Expenditures</i></b>	<b><u>9,031,829</u></b>	<b><u>842,742</u></b>	<b><u>9,874,571</u></b>
<b><i>Net Change in Fund Balance</i></b>	<b>191,859</b>	<b>106,058</b>	<b>297,917</b>
<b><i>Fund Balance (Deficit) at Beginning of Year</i></b>	<b><u>3,955,069</u></b>	<b><u>166,267</u></b>	<b><u>4,121,336</u></b>
<b><i>Fund Balance (Deficit) at End of Year</i></b>	<b><u>\$ 4,146,928</u></b>	<b><u>\$ 272,325</u></b>	<b><u>\$ 4,419,253</u></b>

***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, 2007**

**Net Change in Fund Balances - Total Governmental Funds** \$ 297,917

*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 capital asset additions in the current period.

Capital Asset Additions	\$ 29,371	
Current Year Depreciation	<u>(67,467)</u>	(38,096)

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

Intergovernmental Revenue	690,098
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Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

8,993

Some expenses reported in the statement of activities do not use current financial resources and therefore, are not reported as expenditures in governmental funds.

Increase in compensated absences	\$ (20,657)	
Increase in vacation benefits payable	<u>(9,061)</u>	<u>(29,718)</u>

**Change in Net Assets of Governmental Activities** \$ 929,194

**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, 2007**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Intergovernmental	\$ 2,341,206	\$ 2,495,875	\$ 2,439,721	\$ (56,154)
Investment Income	275,000	275,000	329,136	54,136
Tuition and Fees	935,112	935,112	1,026,437	91,325
Charges for Services	4,597,434	5,438,937	5,413,659	(25,278)
Miscellaneous	6,100	22,670	29,670	7,000
<i>Total Revenues</i>	<u>8,154,852</u>	<u>9,167,594</u>	<u>9,238,623</u>	<u>71,029</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	382,562	381,633	315,847	65,786
Special	2,545,167	2,768,920	2,735,932	32,988
Vocational	58,427	58,427	58,397	30
<b>Support Services:</b>				
Pupils	2,554,964	2,699,822	2,553,950	145,872
Instructional Staff	1,794,218	2,117,677	2,021,904	95,773
Board of Governors	61,039	61,039	58,125	2,914
Administration	279,747	819,215	652,569	166,646
Fiscal	287,272	296,567	292,486	4,081
Business	69,996	69,996	62,550	7,446
Operation and Maintenance of Plant	182,279	185,479	165,879	19,600
Central	184,798	370,736	241,508	129,228
Extracurricular Activities	7,231	21,231	20,168	1,063
<i>Total Expenditures</i>	<u>8,407,700</u>	<u>9,850,742</u>	<u>9,179,315</u>	<u>671,427</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(252,848)</u>	<u>(683,148)</u>	<u>59,308</u>	<u>742,456</u>
<b>Other Financing Sources (Uses):</b>				
Advance In	7,059	7,059	7,059	-
Advance Out	(20,000)	(20,000)	(15,854)	4,146
<i>Total Other Financing Sources (Uses)</i>	<u>(12,941)</u>	<u>(12,941)</u>	<u>(8,795)</u>	<u>4,146</u>
<i>Net Change in Fund Balance</i>	(265,789)	(696,089)	50,513	746,602
<i>Fund Balance (Deficit) at Beginning of Year</i>	3,920,529	3,920,529	3,920,529	-
Prior Year Encumbrances Appropriated	177,568	177,568	177,568	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,832,308</u>	<u>\$ 3,402,008</u>	<u>\$ 4,148,610</u>	<u>\$ 746,602</u>



***Summit County Educational Service Center***  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2007**

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 1,931,028
Receivables:	
Accounts	12,435
Intergovernmental	<u>443,750</u>
<i>Total Assets</i>	<u><u>\$ 2,387,213</u></u>
 <u>Liabilities:</u>	
Accrued Wages	98,794
Intergovernmental Payable	455,801
Undistributed Monies	<u>1,832,618</u>
<i>Total Liabilities</i>	<u><u>\$ 2,387,213</u></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, 2006 was 52,483. The Service Center employed 71 certificated employees and 166 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) and the Mid-Eastern Ohio Special Education Resource Center (MEO/SERRC), which are 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 these organizations is presented in Note 13.

### **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.

## *Notes to the Basic Financial Statements (Unaudited)*

### 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.

### 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.

## *Summit County Educational Service Center*

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.

#### 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.

## *Notes to the Basic Financial Statements (Unaudited)*

### 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.

### 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

There are no budgetary requirements for Educational Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed. The Educational Service Center’s Board does not budget for resources estimated to be received during the fiscal year. The Educational Service Center’s Board adopts an annual appropriation resolution, which is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund, function, and object level within the General Fund and the fund level for all other funds. The Chief Fiscal Officer has been authorized to allocate appropriations to the function and object level within all other funds.

## *Summit County Educational Service Center*

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

### 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.

### G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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.

## *Notes to the Basic Financial Statements (Unaudited)*

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>Buildings and improvements</i>	<i>50 years</i>
<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.

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 and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment 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

## *Summit County Educational Service Center*

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.

### 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).



## *Notes to the Basic Financial Statements (Unaudited)*

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>	\$ 191,859
<i>Net Revenue accruals</i>	21,994
<i>Net Expenditure accruals</i>	96,423
<i>Encumbrances (Budget Basis)</i>	
<i>Outstanding at year end</i>	<u>(259,763)</u>
<i>Budget Basis</i>	<u><u>\$ 50,513</u></u>

#### **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 in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

## *Summit County Educational Service Center*

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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105 percent of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

### A. Deposits:

At fiscal year-end, the carrying amount of the Service Center's deposits was \$4,879,391, and the bank balance was \$5,003,270. Of the bank balance, \$103,270 was covered by federal depository insurance. \$4,900,000 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.

## *Notes to the Basic Financial Statements (Unaudited)*

### 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 2007 was in an overnight repurchase account, with a year ending balance of \$1,745,000. This account is not rated by Standard & Poor's or Moody's Investors Service, because underlying securities are exempt.

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 2007 amounted to \$329,136 which includes \$116,088 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), accounts 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>Preschool excess costs</i>	\$ 1,141,014
<i>Services provided to member districts</i>	554,084
<i>Grants</i>	<u>18,284</u>
<i>Total Intergovernmental Receivable</i>	<u><u>\$ 1,713,382</u></u>

## Summit County Educational Service Center

### NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2007</u>
<i>Capital assets, not being depreciated</i>				
<i>Land</i>	<u>\$ 207,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,778</u>
<i>Capital assets, being depreciated</i>				
<i>Furniture and equipment</i>	683,921	16,202	-	700,123
<i>Building and improvements</i>	623,334	-	-	623,334
<i>Vehicles</i>	<u>18,207</u>	<u>13,169</u>	<u>-</u>	<u>31,376</u>
<i>Total capital assets, being depreciated</i>	<u>1,325,462</u>	<u>29,371</u>	<u>-</u>	<u>1,354,833</u>
<i>Less: Accumulated depreciation</i>				
<i>Furniture and equipment</i>	(435,001)	(52,366)	-	(487,367)
<i>Building and improvements</i>	(12,467)	(12,467)	-	(24,934)
<i>Vehicles</i>	<u>(18,207)</u>	<u>(2,634)</u>	<u>-</u>	<u>(20,841)</u>
<i>Total accumulated depreciation</i>	<u>(465,675)</u>	<u>(67,467)</u>	<u>-</u>	<u>(533,142)</u>
<i>Total capital assets being depreciated, net</i>	<u>859,787</u>	<u>(38,096)</u>	<u>-</u>	<u>821,691</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 1,067,565</u>	<u>\$ (38,096)</u>	<u>\$ -</u>	<u>\$ 1,029,469</u>

Depreciation expense was charged to governmental functions as follows:

	<u>Amount</u>
<i>Instruction:</i>	
<i>Regular</i>	\$ 336
<i>Special</i>	7,297
<i>Support services:</i>	
<i>Instructional staff</i>	8,514
<i>Administrative</i>	7,202
<i>Fiscal</i>	1,439
<i>Business</i>	2,634
<i>Operation and maintenance of plant</i>	39,895
<i>Central</i>	<u>150</u>
<i>Total depreciation expense</i>	<u>\$ 67,467</u>

## *Notes to the Basic Financial Statements (Unaudited)*

### **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>	\$ 15,854	\$ -
<i>Nonmajor governmental funds</i>	-	15,854
	<u>\$ 15,854</u>	<u>\$ 15,854</u>

All interfund loans made during the year were to cover cash deficits. As of June 30, 2007 all interfund loans outstanding are anticipated to be repaid in fiscal year 2008.

### **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.

### **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.

## *Summit County Educational Service Center*

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute an actuarially determined rate of 14% of annual covered payroll, which includes 10.58% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS Retirement Board.

The Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$298,919, \$271,988 and \$235,730 respectively; 99.5% has been contributed for fiscal year 2007, 100% for the fiscal years 2006 and 2005; \$1,502 representing the unpaid contribution for fiscal year 2007 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.

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, 2007, plan members are required to contribute 10% of their annual covered salaries. The School District is required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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.

## *Notes to the Basic Financial Statements (Unaudited)*

The Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$640,370, \$571,705 and \$500,729, respectively; 99% has been contributed for fiscal year 2007, 100% for 2006 and 2005; \$4,711, representing the unpaid contribution for fiscal year 2007 is recorded as a liability within the respective funds. Contributions to the DC and Combined plans for fiscal year 2007 were \$4,771 made by the Service Center and \$84,760 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 \$49,259 during the 2007 fiscal year. The balance in the Health Care Reserve Fund for the STRS was \$3.5 billion at June 30, 2006, (latest information available). For the year ended June 30, 2006, (latest information available), the net health care costs paid by the STRS were \$282,743,000 and eligible benefit recipients totaled 119,184.

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 3.42% 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 2006 (the latest information available), the minimum pay has been established at \$35,800. 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 \$219,911, which includes a surcharge of \$58,448 during the 2007 fiscal year.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 were \$282,743,000. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, (latest information available) the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs of \$158,751,207. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

## Summit County Educational Service Center

### 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</i>	<i>due within</i>
				<i>June 30</i>	<i>one year</i>
<i>Governmental Activities</i>					
<i>Compensated absences</i>	\$ 189,397	\$ 30,446	\$ (9,789)	\$ 210,054	\$ 31,072
<i>Capital leases</i>	44,777	-	(8,993)	35,784	9,514
<i>Total governmental activities</i>					
<i>long-term liabilities</i>	<u>\$ 234,174</u>	<u>\$ 30,446</u>	<u>\$ (18,782)</u>	<u>\$ 245,838</u>	<u>\$ 40,586</u>

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 \$49,087; 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 \$8,993. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007:

<i>Year</i>	<i>Amount</i>
2008	\$ 11,292
2009	11,292
2010	11,292
2011	5,646
<i>Total payments</i>	<u>39,522</u>
<i>Less amount representing interest</i>	<u>(3,738)</u>
<i>Present value of minimum lease payments</i>	<u>\$ 35,784</u>

### NOTE 13 - JOINTLY GOVERNED ORGANIZATION

#### A. Northeast Ohio Network for Educational Technology (NEOnet)

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



## *Notes to the Basic Financial Statements (Unaudited)*

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 school 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 made no significant contributions to NEOnet.

### **B.. Mid-Eastern Ohio Special Education Resource Center (MEO/SERRC)**

MEO/SERCC is a network with a mission to improve the achievement of children and youths with disabilities by assisting educators and families in the development and delivery of specially designed instructions that is aligned with Ohio's academic and educational content standards. MEO/SERRC also assists school districts and agencies in complying with federal and state laws and regulations to ensure the full participation of children and youth with disabilities in the school community. MEO/SERRC resources are targeted to promote systems change, build capacity and improve outcomes for these targeted students. The Summit County Educational Service Center acts as the fiscal agent for MEO/SERRC. A board made up of superintendents from all of the participating school districts governs MEO/SERCC.

The Service Center does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to MEO/SERCC are made from the general fund. During the current fiscal year the Service Center made no significant contributions to MEO/SERRC.

### **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.

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

## **Combining Statements – Nonmajor Funds**

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### **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.

#### Dual Credit Grant

To account for activities established under House Bill 119, ALI 200-536 for the purpose of increasing the number of high school students earning or dual credit in the high school setting and to build statewide capacity to deliver high quality coursework and instruction in mathematics, science, and foreign language.

#### Miscellaneous State Grants

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

#### EHA Preschool Grant

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

**Summit County Educational Service Center**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2007**

	Other Local	Miscellaneous Local Grants	Management Information Systems	Public School Preschool
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 117,076	\$ 27,492	\$ -	\$ 1,100
Receivables:				
Intergovernmental	-	-	-	10,208
<i>Total Assets</i>	<u>\$ 117,076</u>	<u>\$ 27,492</u>	<u>\$ -</u>	<u>\$ 11,308</u>
<u>Liabilities:</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Interfund Payable	-	-	-	10,208
Intergovernmental Payable	-	-	-	551
<i>Total Liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,759</u>
<u>Fund Balance:</u>				
Reserved for Encumbrances	-	1,600	-	1,098
Unreserved, Undesignated, Reported in Special Revenue Funds	117,076	25,892	-	(549)
<i>Total Fund Balances (Deficit)</i>	<u>117,076</u>	<u>27,492</u>	<u>-</u>	<u>549</u>
<i>Total Liabilities and Fund Balances (Deficit)</i>	<u>\$ 117,076</u>	<u>\$ 27,492</u>	<u>\$ -</u>	<u>\$ 11,308</u>

<u>Entry Year Program</u>	<u>SchoolNet Professional Development</u>	<u>Dual Credit Grant</u>	<u>Miscellaneous State Grants</u>	<u>EHA Preschool Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 19,749	\$ 2,109	\$ 116,870	\$ -	\$ 599	\$ 284,995
6,400	-	-	-	1,676	18,284
<u>\$ 26,149</u>	<u>\$ 2,109</u>	<u>\$ 116,870</u>	<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ 303,279</u>
\$ -	\$ -	\$ 13,579	\$ -	\$ -	\$ 13,579
3,970	-	-	-	1,676	15,854
737	-	-	-	233	1,521
<u>4,707</u>	<u>-</u>	<u>13,579</u>	<u>-</u>	<u>1,909</u>	<u>30,954</u>
4,139	625	103,291	-	599	111,352
17,303	1,484	-	-	(233)	160,973
21,442	2,109	103,291	-	366	272,325
<u>\$ 26,149</u>	<u>\$ 2,109</u>	<u>\$ 116,870</u>	<u>\$ -</u>	<u>\$ 2,275</u>	<u>\$ 303,279</u>

**Summit County Educational Service Center**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Special Revenue Funds**  
**For the Fiscal Year Ended June 30, 2007**

	Other Local	Miscellaneous Local Grants	Management Information Systems	Public School Preschool
<u>Revenues:</u>				
Intergovernmental	\$ -	\$ -	\$ 3,000	\$ 144,855
Charges for Services	4,000	-	-	-
Gifts and Donations	-	804	-	-
Total Revenues	<u>4,000</u>	<u>804</u>	<u>3,000</u>	<u>144,855</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	-	-	-	-
Special	-	252	-	92,549
Adult/Continuing	-	-	-	-
Support Services:				
Pupils	-	-	-	47,279
Instructional Staff	1,000	7,007	-	-
Administration	-	-	-	-
Fiscal	-	-	-	-
Central	-	-	3,000	-
Total Expenditures	<u>1,000</u>	<u>7,259</u>	<u>3,000</u>	<u>139,828</u>
<i>Net Change in Fund Balances</i>	3,000	(6,455)	-	5,027
<i>Fund Balance (Deficit) at Beginning of Year</i>	114,076	33,947	-	(4,478)
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 117,076</u>	<u>\$ 27,492</u>	<u>\$ -</u>	<u>\$ 549</u>

Entry Year Program	SchoolNet Professional Development	Dual Credit Grant	Miscellaneous State Grants	EHA Preschool Grant	Total Nonmajor Special Revenue Funds
\$ 462,260	\$ 2,100	\$ 225,000	\$ 60,000	\$ 46,781	\$ 943,996
-	-	-	-	-	4,000
-	-	-	-	-	804
<u>462,260</u>	<u>2,100</u>	<u>225,000</u>	<u>60,000</u>	<u>46,781</u>	<u>948,800</u>
-	-	30,769	22,791	-	53,560
-	-	-	-	43,490	136,291
317	-	-	1,571	-	1,888
-	-	-	(211)	-	47,068
281,834	1,814	39,994	833	-	332,482
148,451	-	32,946	54,208	-	235,605
12,448	-	18,000	2,400	-	32,848
-	-	-	-	-	3,000
<u>443,050</u>	<u>1,814</u>	<u>121,709</u>	<u>81,592</u>	<u>43,490</u>	<u>842,742</u>
19,210	286	103,291	(21,592)	3,291	106,058
2,232	1,823	-	21,592	(2,925)	166,267
<u>\$ 21,442</u>	<u>\$ 2,109</u>	<u>\$ 103,291</u>	<u>\$ -</u>	<u>\$ 366</u>	<u>\$ 272,325</u>

*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, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 2,495,875	\$ 2,439,721	\$ (56,154)
Interest	275,000	329,136	54,136
Tuition and Fees	935,112	1,026,437	91,325
Charges for Services	5,438,937	5,413,659	(25,278)
Miscellaneous	22,670	29,670	7,000
Total Revenues	<u>9,167,594</u>	<u>9,238,623</u>	<u>71,029</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	270,141	269,227	914
Fringe Benefits	44,378	44,082	296
Purchased Services	62,007	-	62,007
Materials and Supplies	5,107	2,538	2,569
Total Regular	<u>381,633</u>	<u>315,847</u>	<u>65,786</u>
Special:			
Salaries and Wages	2,052,895	2,048,064	4,831
Fringe Benefits	630,310	613,222	17,088
Purchased Services	68,599	57,896	10,703
Materials and Supplies	17,116	16,750	366
Total Special	<u>2,768,920</u>	<u>2,735,932</u>	<u>32,988</u>
Vocational:			
Salaries and Wages	42,323	42,323	-
Fringe Benefits	16,104	16,074	30
Total Vocational	<u>58,427</u>	<u>58,397</u>	<u>30</u>
Total Instruction	<u>3,208,980</u>	<u>3,110,176</u>	<u>98,804</u>
Support Services:			
Pupils:			
Salaries and Wages	1,959,994	1,872,757	87,237
Fringe Benefits	489,740	486,233	3,507
Purchased Services	236,941	182,758	54,183
Materials and Supplies	13,147	12,202	945
Total Pupils	<u>2,699,822</u>	<u>2,553,950</u>	<u>145,872</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, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Instructional Staff:</b>			
Salaries and Wages	1,486,305	1,485,327	978
Fringe Benefits	377,899	366,174	11,725
Purchased Services	207,254	137,450	69,804
Materials and Supplies	23,291	10,900	12,391
Other	11,406	10,531	875
Capital Outlay	11,522	11,522	-
<b>Total Instructional Staff</b>	<b>2,117,677</b>	<b>2,021,904</b>	<b>95,773</b>
<b>Board of Governors:</b>			
Salaries and Wages	9,875	9,875	-
Fringe Benefits	2,542	1,635	907
Purchased Services	24,602	22,890	1,712
Materials and Supplies	500	205	295
Other	23,520	23,520	-
<b>Total Board of Governors</b>	<b>61,039</b>	<b>58,125</b>	<b>2,914</b>
<b>Administration:</b>			
Salaries and Wages	267,611	267,591	20
Fringe Benefits	82,734	82,651	83
Purchased Services	461,478	295,456	166,022
Materials and Supplies	1,300	799	501
Other	6,092	6,072	20
<b>Total Administration</b>	<b>819,215</b>	<b>652,569</b>	<b>166,646</b>
<b>Fiscal:</b>			
Salaries and Wages	162,131	162,043	88
Fringe Benefits	62,008	62,007	1
Purchased Services	12,395	10,588	1,807
Materials and Supplies	2,005	1,045	960
Other	46,735	46,573	162
Capital Outlay	10,230	10,230	-
Bond Issuance Costs	1,063	-	1,063
<b>Total Fiscal</b>	<b>296,567</b>	<b>292,486</b>	<b>4,081</b>
<b>Business:</b>			
Salaries and Wages	10,562	10,562	-
Fringe Benefits	1,759	1,759	-
Purchased Services	12,031	6,573	5,458
Capital Outlay	13,369	13,369	-
Materials and Supplies	32,275	30,287	1,988
<b>Total Business</b>	<b>69,996</b>	<b>62,550</b>	<b>7,446</b>

(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, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Operation and Maintenance of Plant:</b>			
Salaries and Wages	167	167	-
Fringe Benefits	335	30	305
Purchased Services	170,265	156,116	14,149
Materials and Supplies	6,822	4,334	2,488
Capital Outlay	7,890	5,232	2,658
<b>Total Operation and Maintenance of Plant</b>	<b>185,479</b>	<b>165,879</b>	<b>19,600</b>
<b>Central:</b>			
Salaries and Wages	99,935	99,935	-
Fringe Benefits	29,644	29,642	2
Purchased Services	235,418	106,683	128,735
Materials and Supplies	5,739	5,248	491
<b>Total Central</b>	<b>370,736</b>	<b>241,508</b>	<b>129,228</b>
<b>Total Support Services</b>	<b>6,620,531</b>	<b>6,048,971</b>	<b>571,560</b>
<b>Extracurricular Activities:</b>			
Salaries and Wages	11,731	10,801	930
Purchased Services	6,836	6,836	-
Fringe Benefits	2,664	2,531	133
<b>Total Extracurricular Activities</b>	<b>21,231</b>	<b>20,168</b>	<b>1,063</b>
<b>Total Expenditures</b>	<b>9,850,742</b>	<b>9,179,315</b>	<b>671,427</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(683,148)</b>	<b>59,308</b>	<b>742,456</b>
<b>Other Financing Sources (Uses):</b>			
Advances In	7,059	7,059	-
Advances Out	(20,000)	(15,854)	4,146
<b>Total Other Financing Sources (Uses)</b>	<b>(12,941)</b>	<b>(8,795)</b>	<b>4,146</b>
<b>Net Change in Fund Balance</b>	<b>(696,089)</b>	<b>50,513</b>	<b>746,602</b>
<b>Fund Balance (Deficit) at Beginning of Year</b>	<b>3,920,529</b>	<b>3,920,529</b>	<b>-</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>177,568</b>	<b>177,568</b>	<b>-</b>
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 3,402,008</b>	<b>\$ 4,148,610</b>	<b>\$ 746,602</b>

***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, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Customer Sales and Services	\$ 2,000	\$ 4,000	\$ 2,000
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Purchased Services	414	-	414
Support Services:			
Instructional Staff:			
Purchased Services	4,000	1,000	3,000
Central:			
Purchased Services	104,490	-	104,490
Materials and Supplies	7	-	7
Capital Outlay	9,166	-	9,166
Total - Central	113,663	-	113,663
Total - Support Services	117,663	1,000	116,663
Total Expenditures	118,077	1,000	117,077
<i>Net Change in Fund Balance</i>	(116,077)	3,000	119,077
<i>Fund Balance (Deficit) at Beginning of Year</i>	114,077	114,077	-
<i>Fund Balance (Deficit) at End of Year</i>	\$ (2,000)	\$ 117,077	\$ 119,077

***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, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 6,991	\$ 6,991	\$ -
Gifts and Donations	382	804	422
Total Revenues	<u>7,373</u>	<u>7,795</u>	<u>422</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Special:			
Purchased Services	<u>700</u>	<u>382</u>	<u>318</u>
Support Services:			
Instructional Staff:			
Purchased Services	32,704	8,750	23,954
Materials and Supplies	1,200	-	1,200
Total Instructional Staff	<u>33,904</u>	<u>8,750</u>	<u>25,154</u>
Total Support Services	<u>33,904</u>	<u>8,750</u>	<u>25,154</u>
Total Expenditures	<u>34,604</u>	<u>9,132</u>	<u>25,472</u>
Excess of Revenues Over (Under) Expenditures	<u>(27,231)</u>	<u>(1,337)</u>	<u>25,894</u>
<u>Other Financing Sources and (Uses):</u>			
Advances Out	<u>(7,059)</u>	<u>(7,059)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(34,290)	(8,396)	(25,894)
<i>Fund Balance Beginning of Year</i>	34,222	34,222	-
<i>Prior Year Encumbrances Appropriated</i>	68	68	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ 25,894</u>	<u>\$ 25,894</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, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 3,000	\$ 3,000	\$ -
<u>Expenditures:</u>			
Current:			
Support Services:			
Central:			
Salaries and Wages	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, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 144,855	\$ 134,647	(10,208)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special			
Salaries and Wages	78,829	78,829	-
Fringe Benefits	12,747	12,747	-
Materials and Supplies	7,337	7,337	-
Total Special	98,913	98,913	-
Support Services:			
Pupils:			
Purchased Services	47,279	47,279	-
Total Expenditures	146,192	146,192	-
Excess of Revenues Over (Under) Expenditures	(1,337)	(11,545)	(10,208)
<u>Other Financing Sources and (Uses):</u>			
Advances In	-	10,208	10,208
<i>Net Change in Fund Balance</i>	(1,337)	(1,337)	-
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Prior Year Encumbrances Appropriated</i>	1,337	1,337	-
<i>Fund Balance (Deficit) at End of Year</i>	\$ -	\$ -	\$ -

**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, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 462,260	\$ 455,860	\$ (6,400)
<u>Expenditures:</u>			
Current:			
Instruction:			
Adult/Continuing:			
Purchased Services	500	500	-
Support Services:			
Instructional Staff:			
Salaries	4,445	2,540	1,905
Fringe Benefits	763	392	371
Purchased Services	315,056	278,876	36,180
Total Instructional Staff	320,264	281,808	36,180
Administration:			
Salaries	100,398	96,618	3,780
Fringe Benefits	16,922	16,330	592
Purchased Services	33,960	33,960	-
Materials and Supplies	5,000	4,787	213
Total Administration	156,280	151,695	213
Fiscal:			
Purchased Services	12,000	12,000	-
Other	448	448	-
Total Fiscal	12,448	12,448	-
Total Support Services:	488,992	445,951	43,041
Total Expenditures	489,492	446,451	43,041
Excess of Revenues Over (Under) Expenditures	(27,232)	9,409	36,641
<u>Other Financing Sources and (Uses):</u>			
Advances In	-	3,970	3,970
<i>Net Change in Fund Balance</i>	(27,232)	13,379	40,611
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Prior Year Encumbrances Appropriated</i>	2,232	2,232	-
<i>Fund Balance (Deficit) at End of Year</i>	\$ (25,000)	\$ 15,611	\$ 40,611



***Summit County Educational Service Center***  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget (Non-GAAP Basis) and Actual**  
**SchoolNet Professional Development Fund**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues:</u>			
Intergovernmental	\$ 2,100	\$ 2,100	\$ -
<u>Expenditures:</u>			
Current:			
Support Services:			
Instructional Staff:			
Purchased Services	3,923	2,439	1,484
<i>Net Change in Fund Balance</i>	(1,823)	(339)	1,484
<i>Fund Balance Beginning of Year</i>	1,823	1,823	-
<i>Prior Year Encumbrances Appropriated</i>	-	-	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ 1,484</u>	<u>\$ 1,484</u>

***Summit County Educational Service Center***  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget (Non-GAAP Basis) and Actual**  
**Dual Credit Grant**  
**For the Fiscal Year Ended June 30, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 225,000	\$ 225,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Purchased Services	84,179	84,179	-
Materials and Supplies	9,000	9,000	-
Capital Outlay	21,600	21,600	-
Total Instruction	<u>114,779</u>	<u>114,779</u>	<u>-</u>
Support Services:			
Instructional Staff:			
Purchased Services	56,258	56,258	-
Materials and Supplies	3,000	3,000	-
Total Instructional Staff	<u>59,258</u>	<u>59,258</u>	<u>-</u>
Administration:			
Purchased Services	32,963	32,963	-
Fiscal:			
Other	18,000	18,000	-
Total Support Services	<u>110,221</u>	<u>110,221</u>	<u>-</u>
Total Expenditures	<u>225,000</u>	<u>225,000</u>	<u>-</u>
<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**  
**Miscellaneous State Grants Fund**  
**For the Fiscal Year Ended June 30, 2007**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 60,000	\$ 60,000	\$ -
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular:			
Salaries and Wages	5,000	5,000	-
Fringe Benefits	801	801	-
Purchased Services	10,535	10,535	-
Materials and Supplies	6,491	6,491	-
Total Administration	<u>22,827</u>	<u>22,827</u>	<u>-</u>
Adult/Continuing:			
Purchased Services	3,287	3,287	-
Total Instruction	<u>26,114</u>	<u>26,114</u>	<u>-</u>
Support Services:			
Instructional Staff:			
Materials and Supplies	16,358	16,358	-
Administration:			
Salaries and Wages	6,807	6,807	-
Fringe Benefits	2,045	2,045	-
Purchased Services	41,076	41,076	-
Materials and Supplies	6,261	6,261	-
Total Administration	<u>56,189</u>	<u>56,189</u>	<u>-</u>
Fiscal:			
Purchased Services	2,400	2,400	-
Total Support Services	<u>74,947</u>	<u>74,947</u>	<u>-</u>
Total Expenditures	<u>101,061</u>	<u>101,061</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(41,061)</u>	<u>(41,061)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(41,061)	(41,061)	-
<i>Fund Balance Beginning of Year</i>	8,892	8,892	-
<i>Prior Year Encumbrances Appropriated</i>	32,169	32,169	-
<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**  
**EHA Preschool Grant Fund**  
**For the Fiscal Year Ended June 30, 2007**

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>			
Intergovernmental	\$ 46,781	\$ 45,105	\$ (1,676)
<u>Expenditures:</u>			
Current:			
Instruction:			
Special			
Salaries and Wages	36,233	36,233	-
Fringe Benefits	6,081	6,081	-
Materials and Supplies	2,635	2,635	-
Purchased Services	2,300	2,300	-
Total Expenditures	<u>47,249</u>	<u>47,249</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(468)</u>	<u>(2,144)</u>	<u>(1,676)</u>
<u>Other Financing Sources and (Uses):</u>			
Advances In	<u>-</u>	<u>1,676</u>	<u>1,676</u>
<i>Net Change in Fund Balance</i>	(468)	(468)	-
<i>Fund Balance Beginning of Year</i>	-	-	-
<i>Prior Year Encumbrances Appropriated</i>	468	468	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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## **Combining Statements Agency Funds**

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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.

### MEO/SERRC

To account for the funds associated with the Special Education Regional Resource Center. This is a fiscal agent agreement through the Ohio Department of Education.

### 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, 2007**

	Service Center Agency	MEO/SERCC	NEOnet	Employee Benefits	Total Agency Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalent:	\$ 172,083	\$ 170,677	\$ 1,565,205	\$ 23,063	\$ 1,931,028
Accounts Receivable	-	-	12,435	-	12,435
Intergovernmental Receivable	2,645	400,898	40,207	-	443,750
<i>Total Assets</i>	<u>\$ 174,728</u>	<u>\$ 571,575</u>	<u>\$ 1,617,847</u>	<u>\$ 23,063</u>	<u>\$ 2,387,213</u>
 <u>Liabilities:</u>					
Accrued Wages	\$ -	\$ 69,799	\$ 28,995	\$ -	\$ 98,794
Intergovernmental Payable	-	415,667	16,765	23,369	455,801
Undistributed Monies	174,728	86,109	1,572,087	(306)	1,832,618
<i>Total Liabilities</i>	<u>\$ 174,728</u>	<u>\$ 571,575</u>	<u>\$ 1,617,847</u>	<u>\$ 23,063</u>	<u>\$ 2,387,213</u>

**Summit County Educational Service Center**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**For the Fiscal Year Ended June 30, 2007**

	Balance 7/1/06	Additions	Deductions	Balance 6/30/07
<b>Service Center Agency</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 220,653	\$ 6,865	\$ 55,435	\$ 172,083
Intergovernmental Receivable	-	2,645	-	2,645
Total Assets	<u>\$ 220,653</u>	<u>\$ 9,510</u>	<u>\$ 55,435</u>	<u>\$ 174,728</u>
<u>Liabilities:</u>				
Undistributed Monies	<u>\$ 220,653</u>	<u>\$ 2,645</u>	<u>\$ 48,570</u>	<u>\$ 174,728</u>
<b>MEO/SERCC</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 260,770	\$ 1,389,846	\$ 1,479,939	\$ 170,677
Intergovernmental Receivable	139,431	400,898	139,431	400,898
Total Assets	<u>\$ 400,201</u>	<u>\$ 1,790,744</u>	<u>\$ 1,619,370</u>	<u>\$ 571,575</u>
<u>Liabilities:</u>				
Accrued Wages	\$ 54,270	\$ 69,799	\$ 54,270	\$ 69,799
Intergovernmental Payable	149,493	415,667	149,493	415,667
Undistributed Monies	196,438	64,332	174,661	86,109
Total Liabilities	<u>\$ 400,201</u>	<u>\$ 549,798</u>	<u>\$ 378,424</u>	<u>\$ 571,575</u>
<b>NEOnet</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,720,753	\$ 2,498,181	\$ 2,653,729	\$ 1,565,205
Accounts Receivable	4,535	12,435	4,535	12,435
Intergovernmental Receivable	99,231	40,207	99,231	40,207
Total Assets	<u>\$ 1,824,519</u>	<u>\$ 2,550,823</u>	<u>\$ 2,757,495</u>	<u>\$ 1,617,847</u>
<u>Liabilities:</u>				
Accrued Wages	\$ 37,100	\$ 28,995	\$ 37,100	\$ 28,995
Intergovernmental Payable	10,344	6,421	-	16,765
Undistributed Monies	1,777,075	89,742	294,730	1,572,087
Total Liabilities	<u>\$ 1,824,519</u>	<u>\$ 125,158</u>	<u>\$ 331,830</u>	<u>\$ 1,617,847</u>
<b>Employee Benefits</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 21,523	\$ 33,699	\$ 32,159	\$ 23,063
<u>Liabilities:</u>				
Intergovernmental Payable	21,523	1,846	-	23,369
Undistributed Monies	-	-	306	(306)
Total Liabilities	<u>\$ 21,523</u>	<u>\$ 1,846</u>	<u>\$ 306</u>	<u>\$ 23,063</u>
<b>Total - All Agency Funds</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,223,699	\$ 3,928,591	\$ 4,221,262	\$ 1,931,028
Accounts Receivable	4,535	12,435	4,535	12,435
Intergovernmental Receivable	238,662	443,750	238,662	443,750
Total Assets	<u>\$ 2,466,896</u>	<u>\$ 4,384,776</u>	<u>\$ 4,464,459</u>	<u>\$ 2,387,213</u>
<u>Liabilities:</u>				
Accrued Wages	91,370	98,794	91,370	98,794
Intergovernmental Payable	181,360	423,934	149,493	455,801
Undistributed Monies	2,194,166	156,719	518,267	1,832,618
Total Liabilities	<u>\$ 2,466,896</u>	<u>\$ 679,447</u>	<u>\$ 759,130</u>	<u>\$ 2,387,213</u>



Summit County  
**Educational  
Service Center**

STATISTICAL



## STATISTICAL SECTION

This part of the Summit County Educational Service Center's (ESC) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the ESC's overall financial health.

<u><i>Statistical Section Contents</i></u>	<u><i>Page</i></u>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the ESC's financial performance has changed over time.	60-65
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the affordability of the ESC's most significant local revenue source, "charges for services".	66
<b>Debt Capacity</b>	
This section is designed to present information to help the reader assess the affordability of the ESC's current levels of outstanding debt and any limits that may prevent the ESC from issuing additional debt in the future. The ESC does not report any outstanding debt in the past ten years, nor are there any limitations placed on the ESC for issuing debt in the future.	-
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within the ESC's financial activities take place.	67-75
<b>Operating</b>	
These schedules contain service data to help the reader understand how the information in the ESC's financial report relates to the services the ESC provides and the activities performed.	76-77

**Summit County Educational Service Center**  
**Net Assets by Components**  
**Last Six Fiscal Years**  
**(Accrual Basis of Accounting)**

	2007	2006	2005	2004	2003	2002
<i>Governmental Activities:</i>						
Invested in Capital Assets, Net of Related Debt	\$ 993,685	\$ 1,022,788	\$ 234,052	\$ 271,113	\$ 445,989	\$ 332,699
Restricted	272,331	166,267	212,594	377,156	294,129	274,906
Unrestricted	4,904,129	4,051,896	4,733,283	4,425,527	4,013,451	3,560,133
Total Governmental Activities Net Assets	<u>\$ 6,170,145</u>	<u>\$ 5,240,951</u>	<u>\$ 5,179,929</u>	<u>\$ 5,073,796</u>	<u>\$ 4,753,569</u>	<u>\$ 4,167,738</u>
<i>Primary Government:</i>						
Invested in Capital Assets, Net of Related Debt	\$ 993,685	\$ 1,022,788	\$ 234,052	\$ 271,113	\$ 445,989	\$ 332,699
Restricted	272,331	166,267	212,594	377,156	294,129	274,906
Unrestricted	4,904,129	4,051,896	4,733,283	4,425,527	4,013,451	3,560,133
Total Primary Government Net Assets	<u>\$ 6,170,145</u>	<u>\$ 5,240,951</u>	<u>\$ 5,179,929</u>	<u>\$ 5,073,796</u>	<u>\$ 4,753,569</u>	<u>\$ 4,167,738</u>

Source: FY2002- FY2007 Service Center Audit Reports

NOTE: Ten years of information will be provided when ten years of GASB Statement No. 34 reporting has been completed.

**Summit County Educational Service Center**  
**Changes in Net Assets**  
**Last Six Fiscal Years**  
**(Accrual Basis of Accounting)**

	2007	2006	2005	2004	2003	2002
<b>Primary Government:</b>						
<u>Expenses:</u>						
Governmental Activities						
Instruction:						
Regular	\$ 369,429	\$ 349,962	\$ 209,664	\$ 8,909	\$ 11,290	\$ 58,807
Special	2,904,473	2,359,153	1,923,412	1,870,194	2,105,265	1,900,754
Vocational	58,931	56,693	53,325	51,425	58,106	177,566
Adult/Continuing	1,888	4,739	3,843	6,098	48,034	-
Support Services:						
Pupils	2,586,241	2,413,522	1,946,972	1,797,642	1,696,117	1,779,513
Instructional Staff	2,284,496	2,256,066	2,183,010	2,196,860	2,081,258	1,932,347
Board of governors	55,669	58,371	28,563	63,916	31,509	19,352
Administration	846,333	778,517	813,310	768,258	592,645	566,137
Fiscal	270,605	249,872	236,049	210,193	211,210	206,014
Business	63,513	45,152	50,286	27,818	57,747	49,106
Operation and Maintenance of Plant	123,790	106,250	142,367	148,626	107,352	168,459
Pupil Transportation	-	-	-	-	-	11,874
Central	248,083	207,542	433,416	799,918	248,863	446,710
Extracurricular Activities	19,638	13,166	20,304	-	-	-
Interest and fiscal charges:	2,299	1,545	1,051	1,881	2,359	2,361
<b>Total Governmental Activities Expenses</b>	<b>9,835,388</b>	<b>8,900,550</b>	<b>8,045,572</b>	<b>7,951,738</b>	<b>7,251,755</b>	<b>7,319,000</b>
<u>Program Revenues:</u>						
Governmental Activities						
<u>Charges for Services:</u>						
Instruction:						
Regular	\$ 161,796	\$ 121,485	\$ 106,586	\$ 421	\$ 113,366	\$ 193,818
Special	2,312,742	1,737,617	1,535,977	1,523,623	1,113,837	1,811,035
Vocational	145,649	109,360	95,948	50,839	54,474	175,368
Adult/Continuing	6,156	4,622	4,055	-	11,238	-
Support Services:						
Pupils	1,736,547	1,303,883	1,160,980	981,634	1,211,153	1,120,383
Instructional Staff	1,287,488	966,602	844,990	671,018	970,387	800,128
Board of governors	2,198	1,650	1,448	-	4,013	-
Administration	1,088,987	817,664	717,389	1,120,610	582,044	392,780
Fiscal	40,654	30,525	26,781	50,435	27,081	450
Business	3,078	2,311	2,028	-	5,619	-
Operation and Maintenance of Plant	4,837	3,632	3,186	-	8,830	-
Central	231,928	174,141	162,237	211,660	168,343	62,984
<b>Operating Grants and Contributions</b>						
Instruction:						
Regular	94,038	459,995	-	-	-	39,898
Special	181,428	218,335	394,094	201,669	158,036	154,053
Vocational	-	-	-	-	-	2,221
Adult/Continuing	-	-	-	10,369	50,592	-
Support services:						
Pupils	-	29,299	154,037	43,894	36,059	75,668
Instructional Staff	384,365	121,223	210,792	387,380	223,456	265,651
Board of governors	-	-	-	-	-	-
Administration	281,165	-	-	141,034	184,748	34,621
Fiscal	-	-	-	22,777	38,574	445
Pupil transportation	-	-	-	-	-	10,151
Central	3,000	482	354	389,532	3,828	279,356
<b>Total Governmental Activities Program Revenues</b>	<b>7,966,056</b>	<b>6,102,826</b>	<b>5,420,882</b>	<b>5,806,895</b>	<b>4,965,678</b>	<b>5,419,010</b>
<u>General Revenues and Other Changes in Net Assets</u>						
Governmental Activities						
Grants and Entitlements not Restricted						
to Specific Programs	2,441,160	2,487,564	2,579,771	2,498,378	2,585,662	1,963,656
Investment Earnings:	329,136	255,665	126,759	58,045	78,544	125,806
Miscellaneous	28,230	115,517	24,293	35,245	38,435	36,842
<b>Total Governmental Activities</b>	<b>2,798,526</b>	<b>2,858,746</b>	<b>2,730,823</b>	<b>2,591,668</b>	<b>2,702,641</b>	<b>2,126,304</b>
<u>Change in Net Assets:</u>						
Governmental Activities:	929,194	61,022	106,133	446,825	416,564	226,314

Source: FY2002- FY2007 Service Center Audit Reports

NOTE: Ten years of information will be provided when ten years of GASB Statement No. 34 reporting has been complete

**Summit County Educational Service Center**  
**Fund Balance, Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

<u>General Fund</u>	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Fund balance, unreserved	\$ 4,013,583	3,874,349	4,208,418	4,033,875
Fund balance, reserved	\$ 133,345	80,720	111,428	86,221
Total fund balance	<u>\$ 4,146,928</u>	<u>3,955,069</u>	<u>4,319,846</u>	<u>4,120,096</u>

<u>All Other Governmental Funds</u>	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
Fund balance, unreserved reported in:				
Special revenue funds	\$ 160,973	149,363	209,966	234,355
Capital project funds	-	-	-	-
Expendable trust funds (1)	-	-	-	-
Fund balance, reserved	\$ 111,352	16,904	1,141	124,784
Total fund balance	<u>\$ 272,325</u>	<u>166,267</u>	<u>211,107</u>	<u>359,139</u>

Source: FY1998 - FY2007 Service Center Audit Reports

NOTE: The general fund has been redefined with additional activities being classified as "general fund" operations with the implementation of GASB Statement No. 34, beginning with the fiscal year ended June 30, 2002.

(1) Classification change with the implementation of GASB Statement No. 34, beginning with the fiscal year ended June 30, 2002  
As of this fiscal year, reclassified as Special Revenue funds.

Fiscal Year Ended June 30, 2003	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
3,642,819	3,261,798	3,156,582	1,435,835	966,470	440,924
150,241	87,670	461,292	471,950	271,637	421,377
<u>3,793,060</u>	<u>3,349,468</u>	<u>3,617,874</u>	<u>1,907,785</u>	<u>1,238,107</u>	<u>862,301</u>

Fiscal Year Ended June 30, 2003	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
190,887	157,934	(113,631)	(179,187)	123,520	520,869
-	-	-	98,823	146,407	298,355
-	-	77,478	321,808	309,717	90,501
82,600	30,620	367,142	381,646	1,185,539	972,476
<u>273,487</u>	<u>188,554</u>	<u>330,989</u>	<u>623,090</u>	<u>1,765,183</u>	<u>1,882,201</u>

**Summit County Educational Service Center**  
**General Governmental Revenues by Source and Expenditures by Function**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004
<b>Revenues:</b>				
Intergovernmental	\$ 3,383,717	\$ 3,318,493	\$ 3,355,470	\$ 3,697,657
Interest	329,136	255,665	126,759	58,045
Tuition and fees	622,444	1,046,086	883,945	499,384
Gifts and donations	804	1,598	3,150	400
Charges for services	5,806,717	4,595,247	3,824,549	4,061,944
Miscellaneous	29,670	115,515	21,143	34,845
Total revenues	<u>\$ 10,172,488</u>	<u>\$ 9,332,604</u>	<u>\$ 8,215,016</u>	<u>\$ 8,352,275</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	\$ 368,742	\$ 336,401	\$ 207,839	\$ 8,540
Special	2,897,878	2,349,568	2,020,576	1,852,159
Vocational	58,788	56,434	52,865	49,872
Adult/continuing	1,888	4,739	3,843	6,098
<b>Support services:</b>				
Pupils	2,573,179	2,439,096	1,945,466	1,818,538
Instructional staff	2,307,966	2,243,598	2,215,781	2,173,122
Board of governors	55,669	58,371	47,806	45,037
Administration	868,685	799,137	805,641	772,508
Fiscal	307,187	271,289	238,834	242,727
Business	60,758	44,675	51,649	27,789
Operation and maintenance of plant	97,064	951,376	120,368	121,694
Pupil transportation	-	-	-	-
Central	245,847	209,720	419,619	797,732
Community services	-	-	-	-
Extracurricular activities	19,628	13,156	20,295	-
Capital outlay	-	-	-	11,055
<b>Debt service:</b>				
Principal retirement	8,993	12,203	11,665	10,835
Interest and fiscal charges	2,299	1,545	1,051	1,881
Total expenditures	<u>\$ 9,874,571</u>	<u>\$ 9,791,308</u>	<u>\$ 8,163,298</u>	<u>\$ 7,939,587</u>
Excess of Revenues Over (Under)				
Expenditures	297,917	(458,704)	51,718	412,688
<b>Other Financing Sources (Uses):</b>				
Inception of capital lease	-	49,087	-	-
Refund of prior year receipts	-	-	-	-
Refund of prior year expenditures	-	-	-	-
Transfers in	-	-	-	24,301
Transfers out	-	-	-	(24,301)
Total other financing sources (uses)	<u>-</u>	<u>49,087</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 297,917</u>	<u>\$ (409,617)</u>	<u>\$ 51,718</u>	<u>\$ 412,688</u>
<b>Debt Service as a Percentage of</b>				
Noncapital Expenditures	0.1%	0.1%	0.2%	0.2%

Source: FY1998 - FY2007 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, 2003	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998
\$ 3,359,436	\$ 3,847,665	\$ 5,256,585	\$ 7,014,005	\$ 7,833,745
78,544	298,361	269,925	276,738	142,546
362,000	306,903	345,943	221,641	274,707
1,300	-	-	-	-
3,958,308	3,877,888	2,701,100	2,260,906	1,650,305
37,135	207,030	76,196	282,422	87,810
<u>\$ 7,796,723</u>	<u>\$ 8,537,847</u>	<u>\$ 8,649,749</u>	<u>\$ 10,055,712</u>	<u>\$ 9,989,113</u>

\$ 11,623	\$ 35,611	\$ 80,920	\$ 86,115	\$ 309,287
2,105,228	1,684,129	1,471,551	959,153	831,090
59,879	185,644	362,991	540,220	487,390
48,034	-	-	-	-
1,699,325	1,879,575	1,583,520	2,282,164	1,633,010
2,053,197	2,049,960	3,272,104	2,677,485	2,459,005
31,145	23,068	24,080	38,178	19,072
610,079	554,911	441,680	556,977	1,102,981
246,439	218,938	219,127	256,703	265,432
53,568	53,732	65,241	41,757	32,959
96,325	115,575	1,305,568	1,609,638	119,804
-	11,189	23,049	22,791	21,047
250,746	328,806	253,313	679,853	254,114
-	-	852	3,286	16,400
-	2,311	2,175	36,237	1,571
-	2,327	1,110	2,864	2,704
13,252	6,694	29,349	-	-
2,359	1,429	1,217	-	-
<u>\$ 7,281,199</u>	<u>\$ 7,153,899</u>	<u>\$ 9,137,847</u>	<u>\$ 9,793,421</u>	<u>\$ 7,555,866</u>

515,524	1,383,948	(488,098)	262,291	2,433,247
13,000	35,000	14,707	-	-
-	-	-	-	(2,496)
-	-	-	-	52,528
-	-	13,008	250,562	13,784
-	-	(13,008)	(250,562)	(13,784)
<u>13,000</u>	<u>35,000</u>	<u>14,707</u>	<u>-</u>	<u>50,032</u>
<u>\$ 528,524</u>	<u>\$ 1,418,948</u>	<u>\$ (473,391)</u>	<u>\$ 262,291</u>	<u>\$ 2,483,279</u>

0.2%

0.1%

0.3%

0.0%

0.0%

**Summit County Educational Service Center**  
**Largest Own Revenue Source - Charges for Services**  
**Current Year and Nine Year's Prior**

Source	Fiscal Year 2007 (1) Amount	% Of The Total Largest Own Revenue Source	Source	Fiscal Year 1997 (1) Amount	% Of The Total Largest Own Revenue Source
Preschool Excess Costs	\$ 924,527	13%	PALS Lab (jobs and family svcs)	\$ 170,876	17%
Cuyahoga Falls City School District	602,739	9%	Preschool Excess Costs	86,376	8%
Springfield Local School District	427,017	6%	Nordonia Hills City School District	93,125	9%
Green Local School District	365,956	5%	Workshop Fees	10,419	1%
Twinsburg City School District	312,925	4%	Woodridge Local School District	71,393	7%
Barberton City School District	291,773	4%	Revere Local School District	120,766	12%
Nordonia Hills City School District	284,697	4%	Total Top Payers/Users of Services	552,955	54%
St. Barnabas Catholic School	250,032	4%			
Walsh Jessuit High School	247,903	4%		\$ 1,028,464	
Total Top Payers/Users of Services	3,707,569	53%			
Total Charges for Services (2)	\$ 7,022,060				

**Most significant services provided to member districts (3):**

Services provided by the ESC to member districts interested in our assistance include:

- \*staffing services
- \*curriculum and instruction consultation
- \*psychological services
- \*special education consultation
- \*speech and language supervision/consultation
- \*work study supervisor

- (1) Cash collections for the fiscal year.
- (2) 2006 is reported for governmental activities using the accrual basis of accounting. 1997 is provided for governmental funds using the modified accrual basis of accounting.
- (3) There is no direct rate applied to this revenue source. The fees for these revenues vary from service to service provided and vary by member districts who request the services.

Source: Service Center's financial records

**Summit County Educational Service Center**  
**Demographic and Economic Indicators**  
**Most Recent Year Available and Nine Year's Prior**

	<u>1997</u>	<u>2006</u>
Civilian labor force in county	280,000	294,200
Unemployed in county	12,700	15,600
Unemployment rate in county	4.5%	5.3%
Unemployment rate - Ohio	4.6%	5.5%

**Ten Largest Employers in Summit County as of December 31, 2006**

Employer	Nature of Activity or Business	Approximate Number of Employees	Percent of Total Employed
Summa Health System	Medical	6,102	2.23%
Akron General Medical Center	Hospital	4,267	1.56%
The Goodyear Tire and Rubber Company	Rubber Products	4,000	1.46%
Akron School District	Education	3,500	1.28%
The University of Akron	Higher Education	2,845	0.98%
Summit County	Government	2,695	1.04%
City of Akron	Government	2,585	0.94%
Akron Childrens' Hospital	Medical	2,360	0.86%
First Energy Corporation	Utilities	2,300	0.84%
Jo-Ann Stores, Inc.	Fabric/Craft Stores	2,200	0.80%

**Ten Largest Employers in Summit County as of December 31, 1997**

Employer	Nature of Activity or Business	Approximate Number of Employees	Percent of Total Employed
The Goodyear Tire and Rubber Company	Rubber Products	4,700	1.77%
Summa Health Systems	Hospital	3,800	1.43%
Summit County	Government	3,471	1.31%
The University of Akron	Higher Education	3,018	1.14%
Akron School District	Education	3,000	1.13%
Akron General Medical Center	Hospital	2,782	1.05%
City of Akron	Government	2,746	1.03%
Chrysler Corporation, Stamping Plant	Automotive	2,575	0.97%
Acme-Click Stores	Retail Grocery	2,000	0.75%
Babcock & Wilcox Company, Inc	Power Generator Equipment	1,851	0.70%

Source: County of Summit/Ohio CAFR

**Summit County Educational Service Center**  
**Demographic and Economic Indicators (Continued)**  
**Most Recent Year Available and Nine Year's Prior**

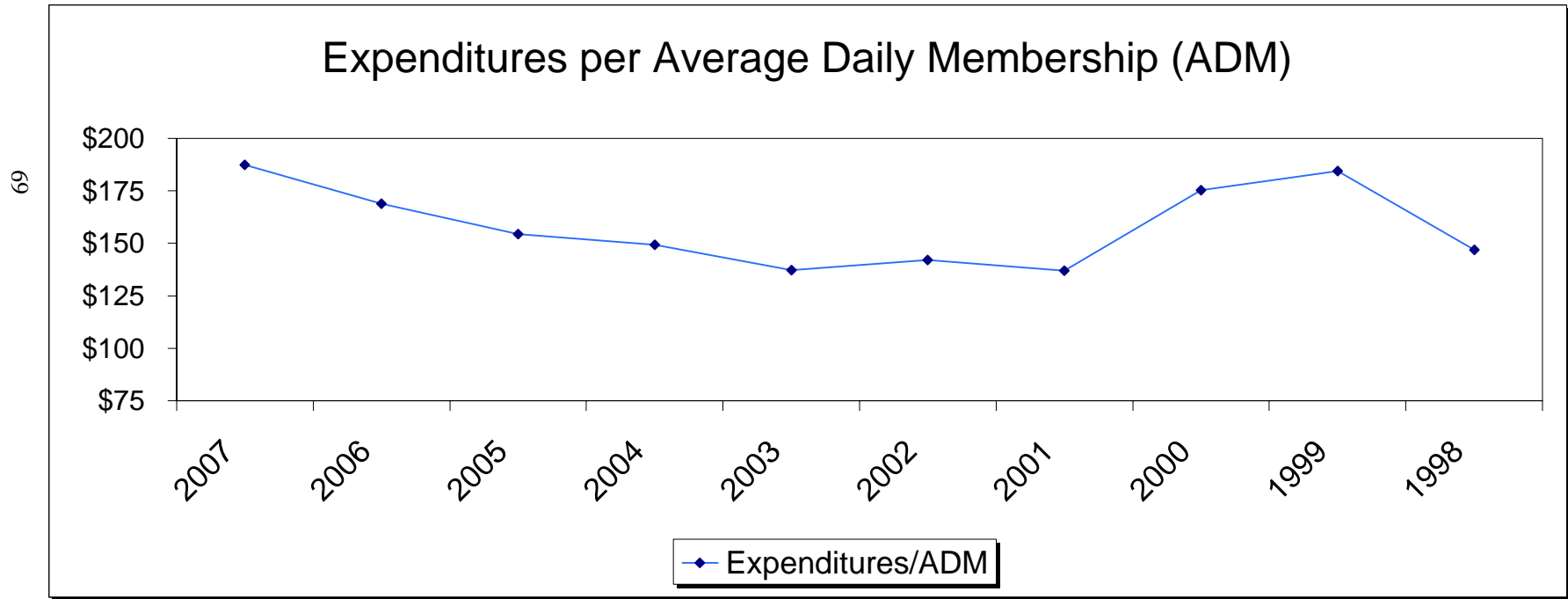
School District (1)	2005 Personal Tax Returns		1996 Personal Tax Returns	
	Total District Personal Income	Per Capita Personal Income	Total District Personal Income	Per Capita Personal Income
Barberton CSD	374,581,554	31,325	326,337,460	21,242
Copley-Fairlawn CSD	691,693,031	65,657	442,130,174	33,159
Coventry LSD	279,818,928	42,192	183,070,860	25,688
Cuyahoga Falls CSD	853,955,031	40,071	787,294,592	27,535
Green LSD	647,026,117	54,468	393,292,122	31,478
Hudson CSD	1,313,205,898	116,595	961,250,054	50,516
Manchester LSD	199,599,502	44,724	151,558,106	29,330
Mogadore LSD	78,128,296	38,130	79,102,291	27,272
Nordonia Hills CSD	874,941,687	54,142	490,123,622	31,789
Norton CSD	292,866,109	42,655	214,287,094	27,159
Revere LSD	1,184,878,713	128,095	593,049,680	38,828
Springfield LSD	318,883,345	36,444	227,096,049	24,603
Stow-Munroe Falls CSD	1,061,065,524	52,645	778,265,721	33,456
Tallmadge CSD	397,479,802	46,647	285,179,680	29,958
Twinsburg CSD	657,249,468	57,013	375,510,480	35,321
Woodridge LSD	471,897,390	58,723	147,117,782	32,477

Source: Ohio Department of Taxation

(1) Member district income was deemed relevant information. Employer and Employee income does not directly effect the ESC's largest own revenue source. However, it is deemed to indirectly effect it. The financial stability of the member district's has a direct effect on the services they request from the ESC, thus effecting the ESC's largest own revenue source.

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

Fiscal Year Ended June 30	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
(1) Expenses/Expenditures	\$9,835,388	\$8,900,550	\$8,163,298	\$7,939,587	\$7,281,199	\$7,406,595	\$7,153,899	\$9,137,847	\$9,793,421	\$7,555,866
(2) ADM	52,483	52,681	52,902	53,152	53,040	52,096	52,191	52,104	53,064	51,439
Expenditures/ADM	\$ 187	\$ 169	\$ 154	\$ 149	\$ 137	\$ 142	\$ 137	\$ 175	\$ 185	\$ 147

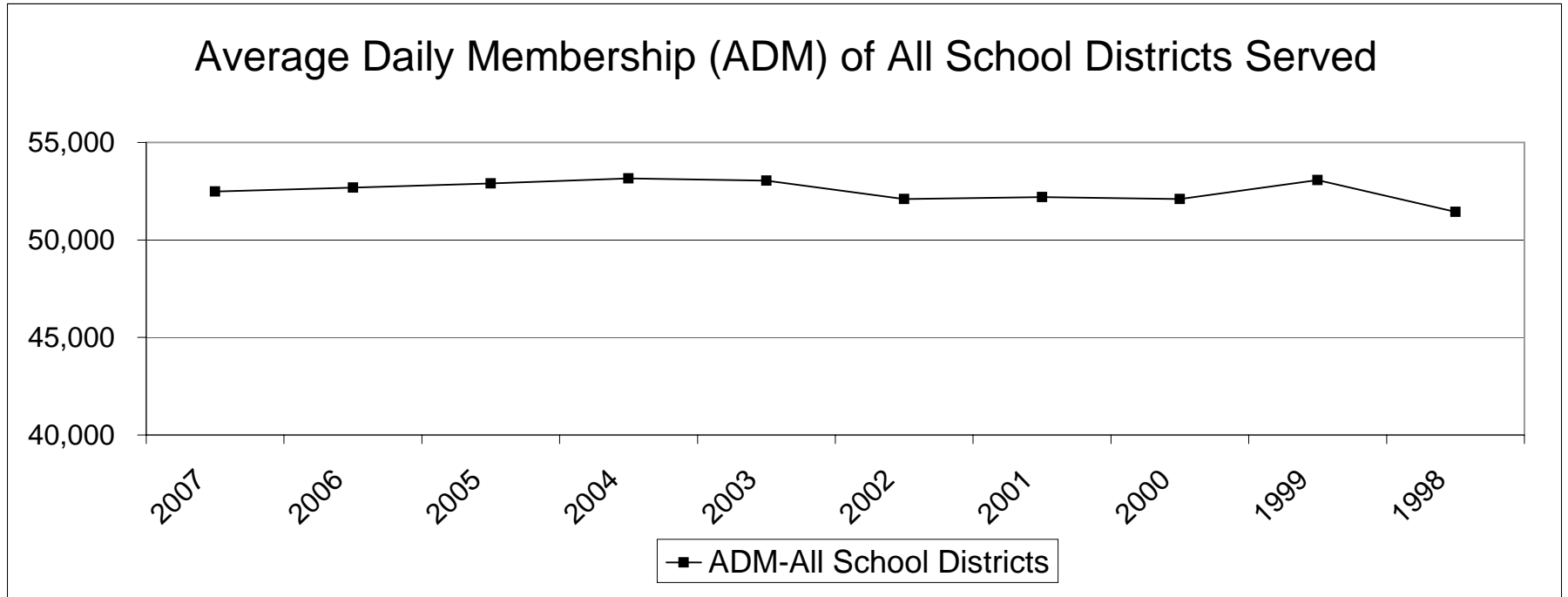


(1) FY1998 - FY2001 modified accrual basis expenditures are provided. FY2002-FY2007 accrual basis expenses are provided. All provided by Service Center Audit Reports.  
 (2) Source: Annual Financial Report of the Board of Governors (ADU/ODE 4502 reports)

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

Fiscal Year Ended June 30	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
ADM	52,483	52,681	52,902	53,152	53,040	52,096	52,191	52,104	53,064	51,439
Percent Change	-0.38%	-0.42%	-0.47%	0.21%	1.81%	-0.18%	0.17%	-1.81%	3.16%	0.45%

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**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		
	2006	2005	2004	2006	2005	2004
Fall Enrollment	3,995	4,139	4,223	3,193	3,189	3,082
<b>Demographic Data:</b>						
Average Income	\$ 25,203	\$ 25,154	\$ 24,669	\$ 42,192	\$ 41,609	\$ 39,807
Property Valuation/Pupil	98,341	95,447	100,040	247,940	235,155	240,887
<b>Fiscal Data:</b>						
Effective Mills	27.35	31.50	25.21	30.02	29.94	31.43
Average Teacher Salary	\$ 50,842	\$ 49,981	\$ 47,399	\$ 56,362	\$ 53,447	\$ 52,597
<b>Staff Data:</b>						
Average Teacher Experience	12.00	12.00	13.00	15.00	14.00	14.00
Number of Teachers	249.60	260.00	272.00	179.30	183.00	179.00
Student/Teacher Ratio	18.40	15.90	15.30	21.30	17.40	17.40
<b>Output:</b>						
Pupil Attendance Rate	93.70	93.70	93.70	96.30	96.30	96.60
Graduation Rate	86.20	77.50	71.90	97.90	99.60	95.70

Fiscal Year Ended June 30,	Nordonia Hills City School District			Norton City School District		
	2006	2005	2004	2006	2005	2004
Fall Enrollment	3,746	3,715	3,692	2,377	2,384	2,523
<b>Demographic Data:</b>						
Average Income	\$ 41,214	\$ 41,609	\$ 39,980	\$ 32,624	\$ 33,321	\$ 31,978
Property Valuation/Pupil	265,747	244,927	233,169	134,473	122,025	113,193
<b>Fiscal Data:</b>						
Effective Mills	29.53	30.23	32.00	26.79	28.94	31.16
Average Teacher Salary	\$ 52,445	\$ 50,774	\$ 51,601	\$ 49,877	\$ 47,569	\$ 47,538
<b>Staff Data:</b>						
Average Teacher Experience	14.00	14.00	13.00	14.00	13.00	10.00
Number of Teachers	219.40	214.00	197.00	140.30	138.00	139.00
Student/Teacher Ratio	19.70	17.30	19.00	18.20	17.20	17.90
<b>Output:</b>						
Pupil Attendance Rate	95.60	95.60	95.90	95.10	95.10	95.20
Graduation Rate	94.20	94.50	90.00	95.30	97.60	97.50

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

(1) Information is not available for fiscal year 2007 due to this year still being under audit for some schools.



Coventry Local School District			Cuyahoga Falls City School District			Green Local School District		
2006	2005	2004	2006	2005	2004	2006	2005	2004
2,233	2,234	2,250	5,062	5,121	5,080	3,966	4,028	3,913
\$ 31,299	\$ 31,926	\$ 30,695	\$ 31,016	\$ 31,275	\$ 30,780	\$ 36,334	\$ 36,546	\$ 35,400
143,660	137,523	129,142	158,761	154,155	154,767	173,672	159,711	151,567
25.56	29.35	31.67	31.95	34.40	28.49	33.40	33.60	34.42
\$ 45,378	\$ 43,594	\$ 41,390	\$ 48,964	\$ 46,879	\$ 45,295	\$ 49,476	\$ 48,156	\$ 48,115
11.00	11.00	12.00	14.00	14.00	13.00	11.00	11.00	9.00
133.20	129.00	119.00	301.00	324.00	317.00	218.30	224.00	224.00
19.90	17.30	18.50	18.50	15.80	16.20	22.10	17.90	17.90
94.60	94.60	94.50	94.80	94.80	95.20	96.10	96.10	96.10
95.70	91.60	93.10	91.00	91.20	90.30	96.70	96.50	95.30
Revere Local School District			Springfield Local School District			Stow-Munroe Falls City School District		
2006	2005	2004	2006	2005	2004	2006	2005	2004
2,734	2,758	2,735	2,868	3,008	2,883	5,726	5,819	5,838
\$ 51,538	\$ 50,879	\$ 50,299	\$ 29,373	\$ 29,412	\$ 29,193	\$ 38,086	\$ 38,523	\$ 37,164
334,550	309,687	287,914	138,779	123,563	141,421	166,384	157,239	151,760
28.07	28.17	29.98	28.53	30.46	30.57	33.94	33.79	34.94
\$ 58,523	\$ 56,503	\$ 54,923	\$ 53,522	\$ 51,278	\$ 48,715	\$ 53,689	\$ 53,792	\$ 52,272
14.00	14.00	15.00	13.00	12.00	13.00	13.00	13.00	16.00
170.20	179.00	178.00	193.40	195.00	188.00	319.10	319.00	319.00
17.80	15.40	15.40	17.70	15.40	15.70	22.20	18.20	18.30
96.10	96.10	96.10	93.80	93.80	93.50	95.30	95.30	95.40
97.80	96.30	96.90	85.90	82.60	96.70	95.60	95.50	97.00

(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		
	2006	2005	2004	2006	2005	2004
Fall Enrollment	5,150	5,264	5,316	1,455	1,484	1,480
<b>Demographic Data:</b>						
Average Income	\$ 62,359	\$ 63,982	\$ 60,800	\$ 33,388	\$ 33,094	\$ 32,751
Property Valuation/Pupil	172,266	167,249	162,731	136,567	126,451	117,984
<b>Fiscal Data:</b>						
Effective Mills	46.06	40.73	43.49	32.64	32.72	27.16
Average Teacher Salary	\$ 63,033	\$ 60,115	\$ 56,308	\$ 48,199	\$ 48,442	\$ 46,655
<b>Staff Data:</b>						
Average Teacher Experience	16.00	16.00	15.00	15.00	15.00	12.00
Number of Teachers	331.60	326.00	336.00	80.10	80.00	80.00
Student/Teacher Ratio	18.60	16.10	15.90	21.00	18.60	18.40
<b>Output:</b>						
Pupil Attendance Rate	95.90	95.90	96.10	95.70	95.70	95.80
Graduation Rate	97.90	97.20	98.40	97.40	96.50	63.50

Fiscal Year Ended June 30,	Tallmadge City School District			Twinsburg City School District		
	2006	2005	2004	2006	2005	2004
Fall Enrollment	2,691	2,707	2,740	4,045	4,024	3,884
<b>Demographic Data:</b>						
Average Income	37,492	\$ 34,485	\$ 33,835	\$ 42,608	\$ 43,539	\$ 42,515
Property Valuation/Pupil	159,378	146,017	146,304	217,088	187,285	221,719
<b>Fiscal Data:</b>						
Effective Mills	34.89	35.31	37.13	31.20	36.24	37.36
Average Teacher Salary	52,470	\$ 51,085	\$ 49,127	\$ 55,576	\$ 52,502	\$ 50,868
<b>Staff Data:</b>						
Average Teacher Experience	13.00	12.00	12.00	9.00	8.00	9.00
Number of Teachers	169.70	169.00	171.00	225.40	226.00	227.00
Student/Teacher Ratio	21.40	16.00	16.00	16.70	17.80	17.30
<b>Output:</b>						
Pupil Attendance Rate	95.70	95.70	96.10	95.80	95.80	96.10
Graduation Rate	97.40	96.80	93.60	90.10	95.70	95.90

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

(1) Information is not available for fiscal year 2007 due to this year still being under audit for some schools.

Mogadore Local School District		
2006	2005	2004
890	853	865
\$ 31,730	\$ 32,651	\$ 30,826
110,358	99,605	134,691
31.03	34.10	34.46
\$ 50,153	\$ 48,661	\$ 45,701
13.00	13.00	11.00
57.00	56.00	56.00
17.20	15.20	15.50
95.40	95.40	95.50
94.70	100.00	98.70

Woodridge Local School District		
2006	2005	2004
1,799	1,756	1,741
\$ 33,143	\$ 34,017	\$ 33,857
268,381	257,200	267,773
36.94	37.21	37.96
\$ 48,449	\$ 47,501	\$ 45,035
11.00	11.00	11.00
121.10	113.00	121.00
16.30	15.40	14.50
95.20	95.20	95.30
98.40	95.80	98.40

Total/Highest/Lowest All Districts Served					
2006		2005		2004	
51,930		52,483		52,245	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
\$ 62,359	\$ 25,203	\$ 63,982	\$ 25,154	\$ 57,760	\$ 24,687
\$ 309,687	\$ 98,341	\$ 309,687	\$ 95,447	\$ 266,845	\$ 98,265
46.06	25.56	40.73	28.17	43.77	25.22
\$ 63,033	\$ 45,378	\$ 60,115	\$ 43,594	\$ 54,409	\$ 40,167
16.00	8.00	16.00	8.00	16.00	10.00
331.60	57.00	326.00	56.00	334.00	54.00
22.20	16.30	18.60	15.20	21.30	14.60
96.30	93.70	96.30	93.70	96.60	93.50
98.40	85.90	100.00	77.50	98.70	78.10

**Summit County Educational Service Center**  
**Number of Employees by Function/Program**  
**Current and Previous Fiscal Year**

**Governmental Employees by Function/Program (1)**

	<u>2007</u>	<u>2006</u>
Instruction:		
Regular	6	7
Special	104	95
Vocational	1	1
Support Services:		
Pupils	56	42
Instructional Staff	38	37
Administration	10	7
Fiscal	3	3
Business	1	1
Operation and Maintenance of Plant	1	1
Central	16	2
Extracurricular	1	1
Total employees	<u>237</u>	<u>197</u>

(1) Represent total employees, whether full-time or part-time.

NOTE: Previous eight years data is not readily available.

Source: Service Center payroll records

**Summit County Educational Service Center**  
**Capital Assets by Function/Program (1)**  
**Last Six Fiscal Years**

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Instruction						
Regular						
Furniture and Equipment	\$ 337	\$ 673	\$ 1,009	\$ 1,346	\$ 1,683	\$ 2,019
Special						
Building and Improvements	107,712	109,956	-	-	-	-
Furniture and Equipment	17,464	22,518	27,891	35,305	39,598	45,561
Support Services:						
Instructional Staff						
Building and Improvements	83,776	85,522	-	-	-	-
Furniture and Equipment	32,687	30,339	25,969	33,902	50,040	66,635
Administration						
Building and Improvements	275,265	280,999	-	-	-	-
Furniture and Equipment	9,938	11,406	17,728	28,185	38,274	26,921
Fiscal						
Furniture and Equipment	11,038	5,391	6,121	6,851	1,061	8,311
Business						
Vehicles	10,535	-	-	-	-	5,462
Operation and Maintenance of Plant						
Land	207,778	207,777	-	-	-	-
Building and Improvements	131,648	134,390	-	-	-	-
Furniture and Equipment	141,187	178,339	162,822	184,527	208,469	231,969
Central						
Furniture and Equipment	104	255	405	555	705	854
	<u>\$ 1,029,469</u>	<u>\$ 1,067,565</u>	<u>\$ 241,945</u>	<u>\$ 290,671</u>	<u>\$ 339,830</u>	<u>\$ 387,732</u>

Source: Service Center records

(1) Amounts are net of accumulated depreciation.

Note: Data is only provided for fiscal years 2002 - 2007. Data prior to the implementation of GASB Statement No. 34 is not available prior to the implementation year of fiscal year 2002.





**Mary Taylor, CPA**  
Auditor of State

**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 12, 2008**