



Mary Taylor, CPA
Auditor of State

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clark County Educational Service Center
Clark County
The Garfield Building
25 W. Pleasant Street
Springfield, Ohio 45506

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clark County Educational Service Center, Clark County, (the ESC), as of and for the year ended June 30, 2007, which collectively comprise the ESC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ESC's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clark County Educational Service Center, Clark County, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the ESC's basic financial statements. The General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) provides additional information and is not a required part of the basic financial statements. We subjected the Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 15, 2008

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 (Unaudited)

The discussion and analysis of the Clark County Educational Service Center's financial performance provides an overall review of the Educational 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 Educational Service Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

Overall:

- Total net assets decreased \$137,184 which represents a 8.2 percent decrease from ending net assets reported at June 30, 2006.
- Total assets of governmental activities increased \$219,508, attributed primarily to ending cash balance being approximately \$225,000 higher than the balance reported at June 30, 2006.
- Program revenues, in the form of charges for services, operating grants and contributions, accounted for \$4.1 million or 70.9 percent of total revenue. General revenue sources, primarily state foundation payments, accounted for the remaining \$1.7 million of revenue received by the Educational Service Center.
- Of the Educational Service Center's \$5.9 million in expenses, \$4.1 million were offset by program specific charges for services, grants or contributions. General revenues (primarily grants and entitlements) and carryover net assets were used to cover the net expense of \$1.8 million.
- The General Fund, the Educational Service Center's operating fund, had an ending fund balance of \$1.5 million or a \$115,791 decrease from fiscal year 2006. The amount reported as reserved for specific purposes increased by \$133,621 from the amount reported one year prior due to increases in year end encumbrances reported at June 30, 2007. Unreserved fund balance decreased \$249,412 from the \$376,879 reported at June 30, 2006 to \$127,467. The expenditures exceeding revenues in the General Fund account for the decrease in unrestricted fund balance. For fiscal year 2007, the Educational Service Center also reported the CORE Grant fund as a major fund. This grant provides funding for a twelve month intensive training program that culminates in teacher licensure in advanced science at the secondary education level.

Using the Basic Financial Statements

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

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 (Unaudited)

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole Educational Service Center, presenting both an aggregated view of the Educational Service Center's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Educational Service Center's most significant funds with all other non-major funds presented in total in one column. The Educational Service Center reports two major governmental funds, the General Fund and the CORE Grant special revenue fund.

Reporting the Educational Service Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Educational Service Center's state funding, office space issues, and legislative decisions related to service delivery as well as organization of county service centers in the future.

In the Statement of Net Assets and the Statement of Activities, the Educational Service Center reports governmental activities. Governmental activities are the activities where most of the Educational Service Center's programs and services are including, but not limited to, instruction, support services, operation and maintenance of plant and pupil transportation. The Educational Service Center does not have any business-type activities.

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

The analysis of the Educational Service Center's major funds begins after the Statement of Activities. Fund financial reports provide detailed information about the General Fund and CORE Grant fund. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds, and therefore only the major funds are presented separate from the other governmental funds.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 (Unaudited)

Governmental Funds

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

The Educational Service Center as a Whole

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

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

TABLE 1
NET ASSETS

	<u>2007</u>	<u>2006</u>
<i>Assets</i>		
Current and Other Assets	\$ 2,353,720	\$ 2,128,053
Capital Assets	<u>111,093</u>	<u>117,252</u>
Total Assets	<u>2,464,813</u>	<u>2,245,305</u>
<i>Liabilities:</i>		
Long-term Liabilities	88,388	77,751
Other Liabilities	<u>844,586</u>	<u>498,531</u>
Total Liabilities	<u>932,974</u>	<u>576,282</u>
<i>Net Assets:</i>		
Invested in Capital Assets, Net of Debt	101,657	92,289
Restricted	745,396	751,716
Unrestricted	<u>684,786</u>	<u>825,018</u>
Total Net Assets	<u>\$ 1,531,839</u>	<u>\$ 1,669,023</u>

The amount by which the Educational Service Center's assets exceeded its liabilities is called net assets. As of June 30, 2007, the Educational Service Center's net assets were \$1,531,839. Of that amount, \$101,657 was invested in capital assets, net of debt related to those assets. Another \$745,396 was subject to external restrictions upon its use. The remaining net asset amount of \$684,786 is unrestricted and available to the Educational Service Center to fund general operations. Ending net assets decreased by \$137,184 as compared with fiscal year 2006 or 8.2 percent. The decrease in net assets is directly related to the expenses of the Educational Service Center being a greater amount than the revenues recognized for fiscal year 2007. Management continued its efforts to limit any unnecessary spending during the fiscal year to ensure operating funds are available for future use.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 (Unaudited)

Restricted net assets decreased slightly by \$6,320 from fiscal year 2006 amounts. The majority of the restricted net assets are associated with the Educational Service Center's contract agreement with the Springfield City School District. The State of Ohio permits city school districts and educational service centers to enter into a contract whereby the educational service center receives funding based on the city school district's student count and the city school district can then have the education service center spend those additional resources in areas they deem appropriate. At the end of fiscal year 2007, the Educational Service Center held \$732,873 of funds associated with this contract which the Springfield City School District had not spent.

Table 2 shows the changes in net assets for fiscal year 2007 compared with the changes in net assets reported for the prior fiscal year.

TABLE 2
CHANGES IN NET ASSETS

	<u>2007</u>	<u>2006</u>
<i>Revenues:</i>		
Program Revenues:		
Charges in Services	\$ 3,736,543	\$ 3,326,912
Operating Grants & Contributions	348,775	203,964
General Revenues:		
Grants & Entitlements	1,489,166	1,388,790
Other	189,580	204,618
Total Revenues	<u>5,764,064</u>	<u>5,124,284</u>
<i>Program Expenses:</i>		
Instruction	1,632,653	1,235,295
Support Services:		
Pupils and Instructional Staff	3,280,414	2,561,724
Board of Education, Administration, Fiscal and Business	864,860	855,208
Plant Operation and Maintenance	118,380	124,700
Pupil Transportation	-	1,092
Central	3,283	3,097
Interest and Fiscal Charges	1,658	3,030
Total Expenses	<u>5,901,248</u>	<u>4,784,146</u>
<i>Change in Net Assets</i>	<u>\$ (137,184)</u>	<u>\$ 340,138</u>

Governmental Activities

The Educational Service Center is funded through numerous means. The major components are tuition and fees, charges for services and intergovernmental (foundation). Increase in tuition and fees revenues was attributable to higher special education costs which were then passed onto the member districts. Additional revenues were realized through tuition charged for participation in the Educational Service Center's alternative school. Additional charges for services revenue were associated with funds passed through by the City School District, approximately \$390,000, in FY2007 to the Educational Service Center to administer programs. The Core Grant was new for fiscal year 2007. These revenue increases explain why despite flat revenue received through the foundation program, the revenue reported for fiscal year 2007 increased 12.5 percent from the revenue reported for fiscal year 2006.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

Management has made a conscientious effort to minimize operating expenses while maintaining the level of service and quality of programs which have always been provided. This effort has limited operating expenses for the past few years. However, in fiscal year 2007 the expenses of the Educational Service Center increased by \$1.1 million or 23.4 percent. This increase was reported in the instructional and pupil and instructional staff support functions. The expansion of services offered and additional staff needed for these additional programs account for the increase in expenses reported during the year.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services for fiscal years 2007 and 2006.

TABLE 3
NET (EXPENSE) REVENUE OF SERVICE

	<u>2007</u>	<u>2006</u>
Instruction	\$ 1,836,958	\$ 1,831,969
Support Services:		
Pupils and Instructional Staff	(2,670,707)	(2,105,112)
Board of Education, Administration, Fiscal and Business	(861,860)	(852,208)
Plant Operation and Maintenance	(118,380)	(124,700)
Pupil Transportation	-	(92)
Central	(283)	(97)
Interest and Fiscal Charges	(1,658)	(3,030)
Total Net Cost of Service	<u>\$ (1,815,930)</u>	<u>\$ (1,253,270)</u>

The majority of the services offered by the Education Service Center are classified as special education programs and therefore a significant portion of the charges for services (tuition and fees) charged to member districts are reported as program revenue associated with the special education instruction function. It should be noted, that while the programs are classified as special education instruction, the majority of the expenses related to these program (primarily personnel costs) are for pupil and instructional support personnel and are therefore reported in the support services categories. Member districts are charged for services and tuition in two different manners, through direct billing from the Educational Service Center and through deduction from their State funding provided through the Foundation Program. Intergovernmental grants restricted to educational programs also provide revenue which can be directly related to these expense categories.

The remaining expense categories are used to capture costs related to the general operation and management of the Educational Service Center. As there are very few revenue sources which are directly related to these expense categories, they are almost entirely financed through general revenues (state foundation funding, interest earnings and other miscellaneous revenue). Depreciation expense is charged to the function utilizing the corresponding capital asset.

In general, Table 3 indicates approximately 69.2 percent of the expenses of the Educational Service Center are funded through charges for services, tuition, and operating grants and contributions; the remaining 30.8 percent is funded through general revenues including state foundation and carryover net assets.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
(Unaudited)

The Educational Service Center's Funds

The Educational Service Center reports two major funds, the General Fund and the CORE Grant fund. All funds are classified as governmental funds and are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5.8 million and expenditures of \$5.9 million. The net decrease in fund balance of \$120,388 resulted in an overall fund balance of \$1,509,134 for all governmental funds, of which \$1,496,161 was reported in the General Fund and \$14,147 was reported in the CORE Grant fund. Included in the General Fund's ending fund balance, \$868,694 was reserved and \$500,000 was designated by the Governing Board to indicate these amounts were not available for future appropriations. The remaining \$127,467 of the General Fund's ending fund balance was unreserved and undesignated and is available for future appropriations as deemed appropriate by the Governing Board. The CORE Grant fund had revenues totaling \$218,661 and expenditures of \$204,514. While the Educational Service Center received a total grant allocation of \$300,000 for the CORE grant, there was \$81,339 of grant funds which were not obligated by the end of the grant and therefore required to be returned to the State Department of Education. A liability associated with this repayment was recorded as of June 30, 2007.

Capital Assets

At June 30, 2007 the capital assets of the Educational Service Center consisted of \$413,182 of furniture and equipment and \$21,980 in vehicles, with accumulated depreciation of \$304,288 and \$19,781, respectively, resulting in net capital assets of \$111,093. The \$6,159 decrease in total net capital assets from the prior year is due to current year depreciation expense of \$38,509 being greater than current year additions to equipment of \$33,559. In addition, the Educational Service Center reported a loss on disposal of assets of \$1,209 during the year.

See Note 6 of the notes to the basic financial statements for additional information on the Educational Service Center's capital assets.

Debt Administration

At June 30, 2007, the debt obligations of the Educational Service Center consisted solely of capital leases entered into to obtain equipment. The remaining liability on these leases at the end of fiscal year 2007 totaled \$9,437. See notes 11 and 12 to the notes to the basic financial statements for additional information.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Treasurer's Office at Clark County Educational Service Center, 25 W. Pleasant, Street, Springfield, OH 45506 or call (937) 325-7671.

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
ASSETS:	
Equity in Pooled Cash and Investments	\$ 1,595,042
Restricted Cash and Investments	732,873
Receivables:	
Intergovernmental	24,558
Prepaid Items	1,247
Capital Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>111,093</u>
 Total Assets	 <u>2,464,813</u>
LIABILITIES:	
Accounts Payable	84,084
Accrued Wages and Benefits	414,601
Intergovernmental Payable	191,153
Unearned Revenue	154,748
Noncurrent Liabilities:	
Due Within One Year	20,903
Due In More Than One Year	<u>67,485</u>
 Total Liabilities	 <u>932,974</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	101,657
Restricted for:	
Specific Educational Programs	12,523
State Mandates	732,873
Unrestricted	<u>684,786</u>
 Total Net Assets	 \$ <u><u>1,531,839</u></u>

See accompanying notes to the basic financial statements

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Statement of Activities
For the Fiscal Year Ended June 30, 2007

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 184,045	154,402	-	(29,643)
Special	1,298,429	3,096,548	-	1,798,119
Adult/Continuing	150,179	-	218,661	68,482
Support Services:				
Pupils	933,269	216,790	25,000	(691,479)
Instructional Staff	2,347,145	268,803	99,114	(1,979,228)
Board of Education	34,837	-	-	(34,837)
Administration	640,285	-	3,000	(637,285)
Fiscal	170,167	-	-	(170,167)
Business	19,571	-	-	(19,571)
Operation and Maintenance				
of Plant	118,380	-	-	(118,380)
Central	3,283	-	3,000	(283)
Interest and Fiscal Charges	1,658	-	-	(1,658)
 Total	 \$ 5,901,248	 3,736,543	 348,775	 (1,815,930)
 General Revenues:				
Grants, Entitlements and Contributions not Restricted to Specific Programs				1,489,166
Investment Earnings				105,346
Other Revenue				84,234
Total General Revenues				1,678,746
Change in Net Assets				(137,184)
Net Assets, Beginning of Year				1,669,023
Net Assets, End of Year				\$ 1,531,839

See accompanying notes to the basic financial statements

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Balance Sheet
June 30, 2007

	General Fund	CORE Grant	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:				
Equity in Pooled Cash and Investments	\$ 1,434,172	\$ 142,895	\$ 17,975	\$ 1,595,042
Restricted Cash and Investments	732,873	-	-	732,873
Receivables:				
Intergovernmental	11,432	-	13,126	24,558
Due from Other Funds	11,294	-	-	11,294
Prepaid Items	1,247	-	-	1,247
 Total Assets	 <u>\$ 2,191,018</u>	 <u>\$ 142,895</u>	 <u>\$ 31,101</u>	 <u>\$ 2,365,014</u>
LIABILITIES:				
Accounts Payable	\$ 49,925	\$ 34,159	\$ -	\$ 84,084
Accrued Wages and Benefits	401,491	-	13,110	414,601
Intergovernmental Payable	88,693	87,589	14,871	191,153
Due to Other Funds	-	7,000	4,294	11,294
Deferred Revenue	154,748	-	-	154,748
 Total Liabilities	 <u>694,857</u>	 <u>128,748</u>	 <u>32,275</u>	 <u>855,880</u>
FUND BALANCES:				
Reserved for:				
Encumbrances	134,574	17,191	1,412	153,177
Prepaid Items	1,247	-	-	1,247
State Mandates	732,873	-	-	732,873
Unreserved, Designated	500,000	-	-	500,000
Unreserved, Undesignated:				
General Fund	127,467	-	-	127,467
Special Revenue Funds	-	(3,044)	(2,586)	(5,630)
 Total Fund Balances	 <u>1,496,161</u>	 <u>14,147</u>	 <u>(1,174)</u>	 <u>1,509,134</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,191,018</u>	 <u>\$ 142,895</u>	 <u>\$ 31,101</u>	 <u>\$ 2,365,014</u>

See accompanying notes to the basic financial statements

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007

Total Governmental Fund Balances	\$ 1,509,134
<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 not reported in the funds.	111,093
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.	
Long-term compensated absences payable	(78,952)
Capital leases payable	<u>(9,436)</u>
Net Assets of Governmental Activities	<u>\$ 1,531,839</u>

See accompanying notes to the basic financial statements

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	CORE Grant	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Intergovernmental	\$ 1,880,735	\$ 218,661	\$ 114,953	\$ 2,214,349
Tuition and Fees	2,633,936	-	1,000	2,634,936
Charges for Services	700,199	-	-	700,199
Interest	105,346	-	-	105,346
Miscellaneous	84,234	-	25,000	109,234
	<u>5,404,450</u>	<u>218,661</u>	<u>140,953</u>	<u>5,764,064</u>
Total Revenues				
EXPENDITURES:				
Current:				
Instruction:				
Regular	175,491	-	407	175,898
Special	1,301,659	-	-	1,301,659
Adult/Continuing	-	150,179	-	150,179
Support Services:				
Pupils	896,393	-	25,646	922,039
Instructional Staff	2,192,708	10,628	122,584	2,325,920
Board of Education	34,837	-	-	34,837
Administration	599,596	36,486	7,777	643,859
Fiscal	165,175	7,221	-	172,396
Business	19,571	-	-	19,571
Operation and Maintenance of Plant	117,626	-	-	117,626
Central	-	-	3,283	3,283
Debt Service:				
Principal	15,527	-	-	15,527
Interest	1,658	-	-	1,658
	<u>5,520,241</u>	<u>204,514</u>	<u>159,697</u>	<u>5,884,452</u>
Total Expenditures				
Net Change in Fund Balances	(115,791)	14,147	(18,744)	(120,388)
Fund Balance, Beginning of Year	<u>1,611,952</u>	<u>-</u>	<u>17,570</u>	<u>1,629,522</u>
Fund Balance, End of Year	<u>\$ 1,496,161</u>	<u>\$ 14,147</u>	<u>\$ (1,174)</u>	<u>\$ 1,509,134</u>

See accompanying notes to the basic financial statements

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2007

Total Net Change in Fund Balances - Total Governmental Funds \$ (120,388)

*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 are allocated over their
estimated useful lives as depreciation expense. This is the net difference
between capital outlay and depreciation expense in the current period.

Capital asset additions	33,559	
Current year depreciation	<u>(38,509)</u>	
Total		(4,950)

Governmental funds only report the disposal of assets to the extent proceeds
are received from the sale. In the statement of activities, a gain or loss is
reported for each disposal. This is the amount of the loss on disposal of
capital assets during the year. (1,209)

Repayment of long-term debt obligation principal is an expenditure in the
governmental funds, but the repayment reduces the long-term liabilities
in the statement of net assets. This is the principal amount paid on
capital leases during the fiscal year. 15,527

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

Long-term compensated absences	<u>(26,164)</u>	
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Change in Net Assets of Governmental Activities \$ (137,184)

CLARK COUNTY EDUCATIONAL SERVICE CENTER

CLARK COUNTY, OHIO

Statement of Fiduciary Net Assets

June 30, 2007

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 7,526
 Total Assets	 <u>\$ 7,526</u>
 LIABILITIES:	
Due to Others	\$ 7,526
 Total Liabilities	 <u>\$ 7,526</u>

See accompanying notes to the basic financial statements

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Clark County Educational Service Center (the Educational Service Center) is located in Springfield, Ohio, the county seat. The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services by state and federal agencies. The Board controls the Educational Service Center's 57 support staff employees and 50 certified employees who provide services to the staff and students of the six local school districts within Clark County.

The Educational Service Center was established in 1914 in response to recommendations from the Ohio State School Survey Commission. Senate Bill 9, passed on February 4, 1914, provided for the standardization of schools and established the county educational service centers.

Since 1914, county superintendents have been involved in various areas of administration and performed many services, which include, but are not limited to the following: cooperative programs, supervision, liaison between local school districts and the Ohio Department of Education, health insurance programs, and special education services. Many of those services have been initiated by the county office of education without being legislatively mandated.

The Educational Service Center consists of five elected board members, a superintendent, a treasurer, and employees. The Clark County Educational Service Center is a chartered school district and was chartered July 21, 1989 by the State Board of Elections.

The Educational Service Center serves six local school districts: Greenon Local, Northeastern Local, Northwestern Local, Southeastern Local, Clark-Shawnee Local and Tecumseh Local. It also works with the Springfield-Clark County Career Technology Center in the areas of inservice of administrators. Springfield City Schools and the Educational Service Center have entered into a city/county agreement to provide services in designated areas.

Under Senate Bill 140, county educational service centers are required to appoint business advisory councils. The Educational Service Center has appointed a Business Advisory Council, which is strictly voluntary on the part of the members. There is no financial responsibility of the Educational Service Center for this council.

Reporting Entity

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

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

CLARK COUNTY EDUCATIONAL SERVICE CENTER

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For the Fiscal Year Ended June 30, 2007

The Educational Service Center is associated with five organizations, which are defined as jointly governed and three insurance purchasing pools. These organizations include the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Cooperative, the Clark County Family and Children First Council, the Springfield-Clark County Career Technology Center, the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Plan, the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, Southwestern Ohio Instructional Technology Association and the Ohio Risk Sharing Authority. Information about these organizations is presented in Notes 13 and 14 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Clark County Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its government-wide financial statements provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

A. Basis Of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the Educational Service Center at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational 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 operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Educational 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 Educational Service Center.

Fund Financial Statements

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. Fund Accounting

The Educational 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 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 Educational Service Center are grouped into the categories governmental and fiduciary.

Governmental Funds

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

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

CORE Grant Fund – Special revenue fund used to account for financial resources received and used in conjunction with the grant received from the State of Ohio Department of Education to establish a twelve-month intensive training program for secondary teachers in advanced mathematics, laboratory-based science, or foreign language.

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

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 Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center maintains two agency funds. One is used to hold the monies deposited by employees into the Educational Service Center's Section-125 medical savings plan and the other is used to account for a grant the Educational Service Center serves as fiscal agent for.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational 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 reports on the sources (i.e., revenues and other

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Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

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

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, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, 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 Educational Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational 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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed to be both measurable and available: tuition and fees, intergovernmental grants, and charges for services.

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employee. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

The accrual basis of accounting utilized on the government-wide financial statements recognizes revenues when they are earned, and expenses are recognized at the time they are incurred.

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Notes to the Basic Financial Statements

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E. Cash and Investments

To improve cash management, cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are pooled in this account. Individual fund integrity is maintained through the Educational Service Center's records. Each fund's interest in the pool is presented on the balance sheet as "Equity in Pooled Cash and Investments".

During fiscal year 2007, the Educational Service Center's investments were limited to funds invested in certificates of deposit as well as the State Treasury Assets Reserves of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2007 amounted to \$105,346 which includes \$7,596 assigned from other Educational Service Center funds.

For presentation on the statement of net assets and the governmental fund's balance sheet, 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 Educational Service Center are considered to be cash equivalents.

F. 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 and recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed. A reservation of fund balance in amount equal to the prepaid items amount is reported to show these resources are not available for future appropriations.

G. Estimates

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

H. Capital Assets and Depreciation

General capital assets generally result from expenditures in the governmental funds. These assets are reported within the governmental activities on the government-wide statement of net assets but are not reported in the fund statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Equipment	5 – 15 years
Vehicles	8 years

I. Compensated Absences

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

A liability for sick leave is accrued using the vesting method which states that the Educational Service Center will estimate its liability based on sick leave accumulated at the end of the fiscal year by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments. The amount is based on accumulated sick and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated sick leave for all employees after ten years of current service with the Educational Service Center.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences" in the funds from which the employee will be paid.

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, principal payment on capital leases and compensated absences liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they have matured and are due for payment.

K. 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 Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

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For the Fiscal Year Ended June 30, 2007

L. Reservations and Designations of Fund Balance

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances, prepaid items, and the State mandated contract with Springfield City Schools.

In addition, the Educational Service Center has determined to maintain a segregated housing account which will be used to help finance future lease payments for new office space in subsequent years, and therefore, this account is shown on the fund financial statements as designated fund balance to indicate that the Educational Service Center made the determination to set these funds aside.

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the Educational 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 School Treasury, in depository accounts payable, withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive monies are public deposits that the Educational Service Center has identified as not required for use with the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits 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 the certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

Interim monies may be invested in the following obligations:

United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal governmental agencies or instrumentalities;

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;

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Bonds and other obligations of the State of Ohio;

No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

The State Treasurer's investment pool (STAR Ohio);

Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

Deposits

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

At fiscal year end, the carrying amount of the Educational Service Center deposit was \$2,221,436 and the bank balance was \$2,383,155. Of the bank balance \$1,287,805 was covered by federal deposit insurance and the remaining amount was uninsured and uncollateralized.

Investments

The Educational Service Center's only investment at June 30, 2007 was in STAR Ohio, an investment pool operated by the Ohio State Treasurer. STAR Ohio is an uninsured and uncollateralized investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$114,005 at June 30, 2007 and was rated AAAM by Standard and Poors.

NOTE 4 – STATE FUNDING

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) of their Budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$37. This amount is provided from State resources.

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If additional funding is needed, and if a majority of the Boards of Educations of the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment. The local school districts under the Educational Service Center pay an additional \$4.50 per student and the city school district pays an additional \$6.50 per student.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2007, consisted of amounts due on a federal educational grant as well as from school districts for services provided. All receivables are considered collectible in full. At June 30, 2007 the \$11,432 in intergovernmental receivables recorded in the general fund was due from school districts served by the Educational Service Center. The \$13,126 intergovernmental receivable in the non-major governmental funds was associated with the Early Childhood Special Education Grant and TANF reimbursements owed at the end of the fiscal year.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for fiscal year 2007 was as follows:

	<u>Balance</u> <u>7/1/2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/2007</u>
<u>Capital Assets, being depreciated</u>				
Furniture and Equipment	\$ 398,490	\$ 33,559	\$ 18,867	\$ 413,182
Vehicles	21,980	-	-	21,980
	<u>420,470</u>	<u>33,559</u>	<u>18,867</u>	<u>435,162</u>
<u>Less: Accumulated Depreciation</u>				
Furniture and Equipment	284,191	37,755	17,658	304,288
Vehicles	19,027	754	-	19,781
	<u>303,218</u>	<u>38,509</u> *	<u>17,658</u>	<u>324,069</u>
Governmental Activities Capital Assets, Net	<u>\$ 117,252</u>	<u>\$ (4,950)</u>	<u>\$ 1,209</u>	<u>\$ 111,093</u>

* - Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 15,028
Special	4,739
Support Services:	
Pupil Support	6,515
Instructional Support	1,688
Administration	8,476
Fiscal	1,309
Operation & Maintenance of Plant	754
Total Depreciation Expense	<u>\$ 38,509</u>

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NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The Educational 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.

During fiscal year 2007, the Educational Service Center joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a member-owned insurance consortium pool. Each individual school district pays annual premiums determined by SORSA to be sufficient to provide for anticipated claims (See Note 14). SORSA utilizes commercial insurance companies to provide reinsurance coverage for all claims exceeding \$100,000 for property and automobile physical damage coverage and \$250,000 for third-party liability coverage. For equipment breakdown coverage SORSA reinsures 100 percent of this exposure and does not retain any level of self-insurance. There is a \$1,000 deductible for most claims.

Insurance coverage provided includes the following:

Fleet Liability	\$1,000,000
Auto Medical Payments	5,000
Uninsured Motorists	1,000,000
Education General Liability:	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	5,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000

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

B. Workers' Compensation

For fiscal year 2007, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The plan is intended to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Incorporated provides administrative, cost control and actuarial services to the GRP.

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C. Medical Benefits

For fiscal year 2007, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$181,289, \$106,571 and \$102,146 respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they

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permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's contributions for pension obligations for the fiscal years ended June 30, 2007, 2006, and 2005 were \$385,557, \$334,193, and \$216,300, respectively, equal to required contributions for each year. Member and employer contributions actually made for defined contribution and combined plan participants will be provided upon written request.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the SERS/STRS. As of June 30, 2007, all five members of the Governing Board have elected social security. The Educational Service Center's liability is 6.2 percent of wages paid.

NOTE 9 – POSTEMPLOYMENT BENEFITS

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$27,585 for fiscal year 2007.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the Educational Service Center paid \$60,905 to fund health care benefits, including the surcharge.

SERS' net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of SERS participants eligible to receive benefits is 59,492.

NOTE 10 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave benefits are derived from Board policy and State laws. All twelve month certified employees earn twenty days of vacation per fiscal year, eleven month certified employees earn fifteen days of vacation per fiscal year and ten month certified employees earn ten days of vacation per fiscal year. Certified employees working less than ten months do not earn vacation time.

Support staff employees earn ten days of vacation after one year of service; after eight years of service they earn fifteen days of vacation; with fifteen years of service they earn twenty days of vacation and after twenty-five years of service they earn twenty-five days of vacation per year. Accumulated, unused vacation must be used by December of the fiscal year following the fiscal year in which it is earned.

All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract in which it is earned.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fifth of accrued, but unused sick leave credit to a maximum of 45 days for all employees. Directors with two years experience with the Educational Service Center are eligible to be paid a maximum of 56 days of unused sick leave upon retirement.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

B. Insurance Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company. Medical/surgical benefits are provided by United Health Care through Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP) (See Note 14). The employees' are required to contribute 20 percent of the premiums for medical/surgical benefits.

C. Pick-Up of Employees' Share of Retirement

The Educational Service Center contributes 14 percent of the employee wages to the State Teachers' Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS). The remaining 10 percent is paid by the employee with the exception of fully paid retirement for the Superintendent, Treasurer, and selected administrators as defined by their respective contracts.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During prior fiscal years, the Educational Service Center entered into various capitalized leases for the purchase of equipment. These leases meet 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. This lease agreement is reported in the General Fund as other financing source; inception of capital lease.

The capital assets acquired by lease have been capitalized in the statement of net assets as equipment totaling \$67,285, which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability is reported on the statement of net assets. Principal payments in fiscal year 2007 totaled \$15,527.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

	Fiscal Year <u>Ending June 30,</u>	
	2008	\$ 6,274
	2009	1,692
	2010	1,692
	2011	<u>423</u>
Total Minimum Lease Payments		10,081
Less: Amount Representing Interest		<u>(645)</u>
Present Value of Minimum Lease Payments		<u>\$ 9,436</u>

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 12 - LONG-TERM OBLIGATIONS

The changes in the Educational Service Center's long-term obligations during fiscal year 2007 were as follows:

	Balance 7/1/2006	Increase	Decrease	Balance 6/30/2007	Due within One Year
Compensated Absences	\$ 52,788	\$ 29,169	\$ 3,005	\$ 78,952	\$ 15,000
Capital Lease Obligations	<u>24,963</u>	<u>-</u>	<u>15,527</u>	<u>9,436</u>	<u>5,903</u>
Total Long-Term Obligations	<u>\$ 77,751</u>	<u>\$ 29,169</u>	<u>\$ 18,532</u>	<u>\$ 88,388</u>	<u>\$ 20,903</u>

Compensated absences will be paid from the funds from which the employees' salaries are paid. Capital leases will be paid from the General Fund.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association

The Educational Service Center is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$73,864 for services provided during the year. Financial information can be obtained from Dean Reineke, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2007, no payments were made by the Educational Service Center to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Vandalia, Ohio 45377.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

Clark County Family and Children First Council

The Clark County Family and Children First Council (the Council) is a voluntary association established to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of each of the members of the Council. The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Educational Service Center did not pay any dues during fiscal year 2007. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 1345 Lagonda Road, Springfield, Ohio 45502.

Springfield-Clark County Career Technology Center

The Springfield-Clark County Career Technology Center (the Center) is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Greenon Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District, and the Educational Service Center. One member is appointed from the Springfield City School District. To obtain financial information, write to the Springfield-Clark County Career Technology Center, Pamela Mustovich, who serves as Treasurer, 1901 Selma Road, Springfield, Ohio 45505-4329.

Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a non-profit corporation organized to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the 2007 fiscal year, the Educational Service Center made no payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as the Executive Director, at 150 East Sixth Street, Franklin, Ohio 45505.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 14 – INSURANCE PURCHASING POOLS

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

Schools of Ohio Risk Sharing Authority

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority (SORSA) a risk sharing insurance pool. The pool consists of sixty-two school districts and educational services centers throughout Ohio who pool risk for property, crime, liability, boiler and machinery and public official liability coverage. The Educational Service Center pays an annual premium to SORSA for this coverage. There is no deductible associated with claims for all types of coverage. The self-insured retention by SORSA is \$100,000 for property and automobile physical damage and \$250,000 for third-party liability. Reinsurance is purchased to cover claims exceeding these amounts and for all claims related to equipment breakdown coverage.

NOTE 15 – INTERFUND ACTIVITY

During fiscal year 2007, the Educational Service Center advanced \$4,294 to the Miscellaneous State Grants Fund - TANF special revenue fund to provide operating funds to meet obligations. Repayment of this advance is anticipated in early fiscal year 2007 when grant funds are received. In addition, the Core Grant Fund owes the General Fund \$7,000 for the Superintendent's cost of the program evaluation for fiscal year 2007 which was repaid to the general fund in the subsequent fiscal year.

NOTE 16 - CONTINGENCIES

The Educational 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 is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2007.

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 17 – OPERATING LEASE

In November 2004, the Educational Service Center's Governing Board approved entering into a three-year lease agreement to rent approximately 10,000 square feet of office space in an office building located in Springfield, Ohio. Base rental payments total \$100,000 per year and are adjustable annually based on the Consumer Price Index increase. For fiscal year 2007, total lease payments related to the office lease totaled \$100,000.

NOTE 18 – SUBSEQUENT EVENT

On July 2, 2007 the Clark County Educational Service Center entered into a six-year lease purchase agreement with the Clark County Commissioners in the amount of \$476,000. The lease purchase was for land and a building to house the administrative offices and training facilities of the Educational Service Center. The agreement includes an initial payment of \$60,000 and six annual payments of \$69,333.33. Upon completion of payments, ownership of the land and building will be conveyed to the Educational Service Center.

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY, OHIO

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget (Non-GAAP) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Tuition and Fees			\$ 2,788,684	
Intergovernmental			1,880,735	
Charges for Services			695,154	
Interest			105,346	
Miscellaneous			<u>73,078</u>	
<i>Total Revenues</i>			<u>5,542,997</u>	
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular Instruction	\$ 175,910	\$ 190,941	174,152	\$ 16,789
Special Instruction	1,301,270	1,300,671	1,271,633	29,038
Support Services:				
Pupils	950,996	978,054	917,360	60,694
Instructional Staff	1,933,951	2,484,845	2,299,030	185,815
Board of Education	40,075	46,075	40,239	5,836
Administration:	610,199	670,465	629,347	41,118
Fiscal	159,000	175,164	163,712	11,452
Business	85,330	27,635	24,012	3,623
Operation and Maintenance of Plant	<u>117,885</u>	<u>119,385</u>	<u>117,668</u>	<u>1,717</u>
<i>Total Expenditures</i>	<u>5,374,616</u>	<u>5,993,235</u>	<u>5,637,153</u>	<u>356,082</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,374,616)</u>	<u>(5,993,235)</u>	<u>(94,156)</u>	
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures			6,948	6,948
Advances In			1,014	1,014
Advances Out	-	-	<u>(4,294)</u>	<u>(4,294)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>3,668</u>	<u>3,668</u>
Net Change in Fund Balance			(90,488)	
Fund Balance, Beginning of Year			2,078,354	
Prior Year Encumbrances Appropriated			<u>9,304</u>	
Fund Balance, End of Year			<u>\$ 1,997,170</u>	

See accompanying notes to the supplementary information

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Supplementary Information
For the Fiscal Year Ended June 30, 2007

Basis of Budgeting

Basis of budgeting refers to when revenues and expenditures are recognized in the accounts. The Educational Service Center recognizes transactions when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. Unencumbered fund balance is available for appropriation in the following fiscal year and therefore fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the Educational Service Center's year-end basic financial statements. Under that basis of accounting, expenses are generally recognized when the Educational Service Center becomes eligible to receive the revenue; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under the budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

General Budget Policies

The Educational Service Center is not required to follow the budgetary provisions set forth in Ohio Rev. Code Section 5705 as it does not have local tax levies. However, the Governing Board annually adopts an expenditure budget which sets the spending authority, or appropriations, for each fund for the ensuing year. The Governing Board does not budget revenues.

The primary level of budget control established by the Governing Board is at the fund level. Any budgetary modifications below this amount may be made by management. Any changes in the total appropriations of a fund must be approved by resolution of the Governing Board. During fiscal year 2007 there were four modifications to the appropriation budget approved by the Governing Board. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts.

As part of budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriation and becomes subject to future appropriation. Encumbrance appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund presented as supplementary information 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 as follows:

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

CLARK COUNTY EDUCATIONAL SERVICE CENTER

Clark County, Ohio

Notes to the Supplementary Information

For the Fiscal Year Ended June 30, 2007

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

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

<u>Net Change in Fund Balance</u>	
<u>General Fund</u>	
GAAP Basis	\$ (115,791)
Revenue Accruals	138,547
Expenditure Accruals	52,963
Advances	(3,280)
Other Financing Sources/Uses	6,948
Encumbrances	<u>(169,875)</u>
Budget Basis	\$ <u>(90,488)</u>



Mary Taylor, CPA

Auditor of State

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

Clark County Educational Service Center
Clark County
The Garfield Building
25 W. Pleasant Street
Springfield, Ohio 45506

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clark County Educational Service Center, Clark County, (the ESC) as of and for the year ended June 30, 2007, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ESC's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the ESC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ESC's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ESC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the ESC's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

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**Internal Control Over Financial Reporting
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding 2007-001 is also a material weakness.

We noted certain matters that we reported to the ESC's management in a separate letter dated February 15, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the ESC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 15, 2008

CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

Material Weakness

Recording of Accounts Receivable/Payable

The Clark County Educational Service Center (ESC) reports on a cash basis throughout the fiscal year. When cash is received it is deposited and posted. When cash is expensed a check is written and the expenditure is posted. For reporting purposes, however, the ESC, is required to report using generally accepted accounting principles and include, in part, receivables and payables as defined in Note 2 D, Summary of Significant Accounting Policies, Basis of Accounting.

The District failed to record several receivables and payables on their basic financial statements. These errors resulted in the following significant understatements:

- Receivables: 56% of Non-major Governmental Funds assets
- Payables: 66% of Non-major Governmental Funds liabilities
29% of CORE Grant Fund liabilities

The financial statements reflect audit adjustments for these errors.

To more accurately and materially reflect receivables and payables at fiscal year end, the District should implement procedures to identify transactions which should be included in these accounts. Such procedures should include analyzing high dollar transactions subsequent to fiscal year end to determine if (1) funds received within 60 days of the balance sheet date were earned and measurable at year end and (2) if goods or services paid for in the subsequent fiscal year were received or performed in the previous fiscal year.

Client Response:

Recording of Accounts Payable:

- Receivables:

We agree with the adjustments. The receivables were inadvertently omitted due to the following reasons. The audit adjustments made to correct accounts receivable included \$7,000 recorded as a receivable in the general fund from the CORE Grant and was based upon a program evaluation that occurred after June 30, 2007. The other adjustment was a \$11,408 receivable recorded in association with the TANF Grant reimbursement for expenses that were paid after June 30, 2007. The maximum amounts were encumbered in FY07 but final expenses/reimbursements were not known until FY08.

**FINDING NUMBER 2007-00
(Continued)**

Client Response: (Continued)

- Payables

\$12,885 TANF Grant expenses were encumbered during FY07 but not paid out until FY08 when all documentation was received.

\$21,794 Core Grant expenses for Wright State University class costs were encumbered in FY07 but not paid out until FY08 when the invoices were received. This should have been booked as an account payable in the GAAP conversion. The Core Grant was for \$300,000 and \$81,339.32 of the funds were returned to the State as unspent funds based upon the number of teachers enrolled in the program.

The two payables noted above should have been recorded as part of the GAAP reporting. The nature of the documentation prevented these items from being properly included. We will correct the documentation of such expenditures for future audit periods. Neither of these adjustments impacted the financial presentation to the Board of Education as they were not general fund reports and are adjusted on the monthly reports presented to the Board.

**CLARK COUNTY EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Revised Code Section 135.03 – purchasing certificates of deposit from out-of-state banks without an office in Ohio	Yes	N/A



Mary Taylor, CPA
Auditor of State

CLARK COUNTY EDUCATIONAL SERVICE CENTER

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2008**