

Mary Taylor, CPA
Auditor of State

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

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STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Stark County Educational Service Center
Stark County
2100 38th Street N.W.
Canton, Ohio 44709

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County Educational Service Center, Stark County, Ohio, (the Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Stark County Educational Service Center, Stark County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of 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 Service Center's basic financial statements. The Federal Awards Receipts and Expenditures Schedule and the Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund provides additional information and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule and the Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

December 30, 2009

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The management's discussion and analysis of the Stark County Educational Service Center's ("the ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the ESC's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$991,798, which represents a 29.64% decrease from 2008.
- General revenues accounted for \$3,583,802 in revenue or 19.08% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$15,202,925 or 80.92% of total revenues of \$18,786,727.
- The ESC had \$19,778,525 in expenses related to governmental activities; \$15,202,925 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$3,583,802 were not adequate to provide for these programs.
- The ESC has one major governmental fund, the general fund. The general fund had \$15,519,183 in revenues and other financing sources and \$15,606,569 in expenditures. During fiscal 2009, the general fund's fund balance decreased \$87,386 from \$381,811 to \$294,425.

Using these Basic Financial Statements (BFS)

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

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

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

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

In the Statement of Net Assets and the Statement of Activities, the governmental activities include the ESC's programs and services, including instruction, support services, and other operations.

The ESC's Statement of Net Assets and Statement of Activities can be found on pages 13-14 of this report.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

The analysis of the ESC's major governmental fund begins on page 9. Fund financial reports provide detailed information about the ESC's major fund. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's major governmental fund is the general fund.

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-18 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC is the fiscal agent of the area A-site, Stark/Portage Area Computer Consortium ("SPARCC") and the Stark County Schools Council of Government. This activity is presented as fiduciary funds. The ESC also maintains agency funds to account for monies due to other governments, individuals or private organizations. All of the ESC's fiduciary activities are reported in a separate statement of fiduciary net assets on page 19. The investment trust fund activities for fiscal 2009 are also reported in a separate statement of changes in fiduciary net assets on page 20. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-41 of this report.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The ESC as a Whole

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

The table below provides a summary of the ESC's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
<u>Assets</u>		
Current and other assets	\$ 4,061,390	\$ 4,783,921
Capital assets, net	<u>1,587,916</u>	<u>1,712,702</u>
 Total assets	 <u>5,649,306</u>	 <u>6,496,623</u>
 <u>Liabilities</u>		
Current liabilities	2,505,104	2,297,573
Long-term liabilities	<u>790,180</u>	<u>853,230</u>
 Total liabilities	 <u>3,295,284</u>	 <u>3,150,803</u>
 <u>Net assets</u>		
Invested in capital assets	1,587,916	1,712,702
Restricted	232,457	925,659
Unrestricted	<u>533,649</u>	<u>707,459</u>
 Total net assets	 <u>\$ 2,354,022</u>	 <u>\$ 3,345,820</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the ESC's assets exceeded liabilities by \$2,354,022. Of this total, \$533,649 is unrestricted in use.

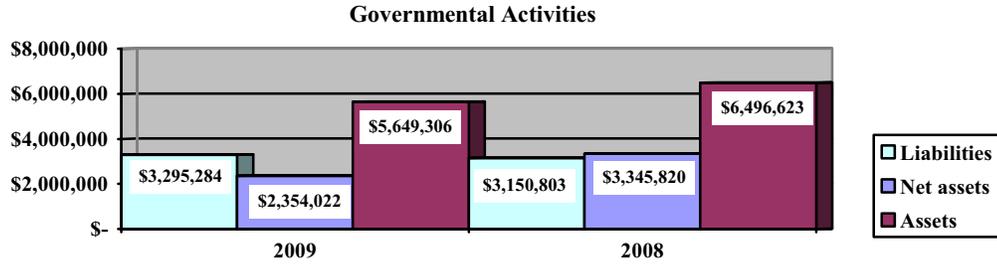
At year-end, capital assets represented 28.11% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets at June 30, 2009 were \$1,587,916. These capital assets are used to provide the ESC's services and are not available for future spending.

A portion of the ESC's net assets, \$232,457, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$533,649 may be used to meet the ESC's ongoing obligations to the students and creditors.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the ESC's assets, liabilities and net assets at June 30, 2009 and 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 11,799,677	\$11,327,389
Operating grants and contributions	3,403,248	4,692,940
Capital grants and contributions	-	86,955
General revenues:		
Grants and entitlements	3,439,274	3,297,918
Investment earnings	83,992	167,582
Other	<u>60,536</u>	<u>334,109</u>
Total revenues	<u>18,786,727</u>	<u>19,906,893</u>

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**STARK COUNTY EDUCATIONAL SERVICE CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	Change in Net Assets (Continued)	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 434,343	\$ 227,472
Special	6,203,251	5,723,252
Adult/continuing	15,731	21,549
Support services:		
Pupil	1,171,191	1,173,434
Instructional staff	7,182,602	7,789,355
Board of education	15,137	20,657
Administration	2,735,144	3,334,814
Fiscal	556,873	377,554
Business	1,086,185	915,433
Operations and maintenance	253,720	258,103
Pupil transportation	12,467	4,979
Central	50,616	241,087
Extracurricular activities	22,099	24,086
Food service operations	<u>39,166</u>	<u>51,672</u>
 Total expenses	 <u>19,778,525</u>	 <u>20,163,447</u>
 Change in net assets	 (991,798)	 (256,554)
Net assets at beginning of year	<u>3,345,820</u>	<u>3,602,374</u>
Net assets at end of year	<u>\$ 2,354,022</u>	<u>\$ 3,345,820</u>

Governmental Activities

Net assets of the ESC's governmental activities decreased \$991,798. Total governmental expenses of \$19,778,525 were offset by program revenues of \$15,202,925 and general revenues of \$3,583,802. Program revenues supported 76.87% of the total governmental expenses.

Governmental activities revenue decreased approximately \$1.1 million. This is due to the ESC receiving less intergovernmental grant revenue in 2009, as compared to fiscal year 2008.

The decrease in intergovernmental grant revenue led to the decrease in governmental activities expenses as this revenue drives many of the services the ESC provides.

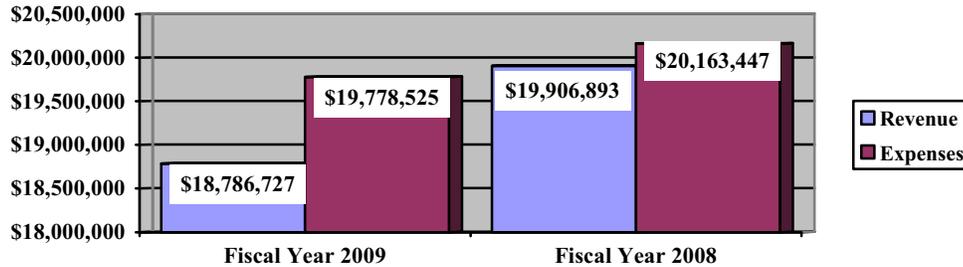
The primary sources of revenue for governmental activities are derived from contracted fees for services provided to other entities. This revenue source represents 62.81% of total governmental revenue.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements, and other general revenues not restricted to a specific program.

Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 434,343	\$ 93,929	\$ 227,472	\$ (31,136)
Special	6,203,251	1,053,945	5,723,252	749,969
Adult/continuing	15,731	(1,833)	21,549	4,703
Support services:				
Pupil	1,171,191	216,339	1,173,434	1,142,570
Instructional staff	7,182,602	1,165,093	7,789,355	776,132
Board of education	15,137	15,137	20,657	20,657
Administration	2,735,144	439,955	3,334,814	57,817
Fiscal	556,873	426,872	377,554	356,022
Business	1,086,185	1,017,051	915,433	905,087
Operations and maintenance	253,720	96,276	258,103	7,500
Pupil transportation	12,467	10,680	4,979	3,190
Central	50,616	20,740	241,087	37,993
Extracurricular activities	22,099	22,099	24,086	24,086
Food service operations	39,166	(683)	51,672	1,573
Total	<u>\$ 19,778,525</u>	<u>\$ 4,575,600</u>	<u>\$ 20,163,447</u>	<u>\$ 4,056,163</u>

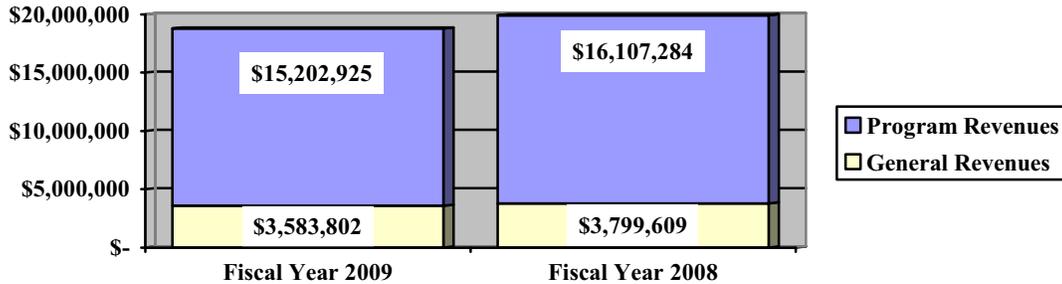
For all governmental activities, program revenue support is 76.87%. The primary support of the ESC is contracted fees for services provided to other districts.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the ESC's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



The ESC's Funds

The ESC's governmental funds (as presented on page 15) reported a combined fund balance of \$483,278, which is less than last year's balance of \$553,702. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance June 30, 2009	Fund Balance June 30, 2008	Increase (Decrease)
Major Funds:			
General	\$ 294,425	\$ 381,811	\$ (87,386)
Other governmental	<u>188,853</u>	<u>171,891</u>	<u>16,962</u>
Total	<u>\$ 483,278</u>	<u>\$ 553,702</u>	<u>\$ (70,424)</u>

General Fund

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

	2009 <u>Amount</u>	2008 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Tuition	\$ 6,657,574	\$ 6,404,887	3.95 %
Services provided to other entities	4,944,937	4,575,786	8.07 %
Earnings on investments	95,846	165,282	(42.01) %
Intergovernmental	3,439,274	3,297,918	4.29 %
Other revenues	<u>379,490</u>	<u>639,809</u>	(40.69) %
Total	<u>\$ 15,517,121</u>	<u>\$ 15,083,682</u>	2.87 %
<u>Expenditures</u>			
Instruction	\$ 5,827,716	\$ 5,238,959	11.24 %
Support services	9,756,754	9,739,490	0.18 %
Extracurricular activities	<u>22,099</u>	<u>24,086</u>	(8.25) %
Total	<u>\$ 15,606,569</u>	<u>\$ 15,002,535</u>	4.03 %

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The general fund's revenues increased approximately \$430,000 over the prior fiscal year. This increase is mainly due to the increase in tuition and services provided to other entities. The increased revenue also explains the increase in expenditures as tuition and services provided to other entities revenue drives many of the services the ESC provides. Interest revenue decreased because of decreasing interest rates during fiscal year 2009. Other revenue decreased primarily because of the elimination of the charges for self-insurance.

Capital Assets

At the end of fiscal 2009, the ESC had \$1,587,916 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008.

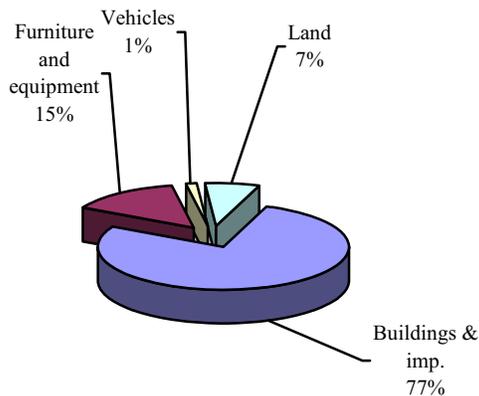
**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 111,059	\$ 111,059
Buildings and improvements	1,224,659	1,248,465
Furniture and equipment	230,480	334,828
Vehicles	21,718	18,350
Total	<u>\$ 1,587,916</u>	<u>\$ 1,712,702</u>

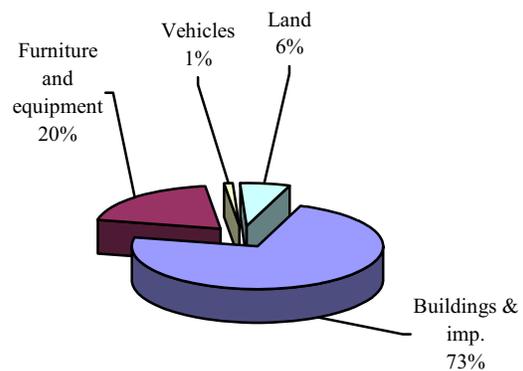
Total additions to capital assets for 2009 were \$63,506. A total of \$174,887 in depreciation expense was recognized for fiscal 2009. Disposals, net of accumulated depreciation, totaled \$13,405.

The graphs below present the ESC's capital assets for fiscal 2009 and fiscal 2008. See Note 7 to the basic financial statements for additional information on the ESC's capital assets.

**Capital Assets - Governmental Activities
2009**



**Capital Assets - Governmental Activities
2008**



**STARK COUNTY EDUCATIONAL SERVICE CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

Current Financial Related Activities

The ESC, along with the majority of the school districts in Ohio, continues to be challenged to provide a high level of services with declining revenues. As the preceding information shows, the ESC relies heavily on contracts with local, city, and joint vocational school districts in Stark County, as well as State Foundation revenue and grants. The need for additional services from local and city school districts, along with the ESC's cash balance, will provide the ESC with the necessary funds to meet its operating expenses in fiscal year 2010. However, the future financial stability of the ESC is not without concerns.

In fiscal year 2009, every ESC in Ohio was subject to a reduction of approximately 9.65% of the annual funding provided by the State. This represented an approximate reduction of \$207,000. Additional reductions in the State's budget directly affected the ESC and the schools that it serves.

Declining enrollment in Stark County also remains a concern of the ESC. State funding is based on average daily membership of Stark County school districts. Continued decline in enrollment will have a direct impact on State revenues received by Stark County school districts and the amount of services they will need from the ESC.

Each year, additional services are needed by Stark County school districts. Therefore, the ESC is constantly reviewing their program activity to provide services while maintaining a financially solvent operation.

The ESC's systems of internal control and procedures are reviewed throughout the year to insure a cost efficient operation.

Contacting the ESC's Financial Management

This financial report is designed to provide the citizens, school districts, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Jeff Bartholomew, Treasurer, Stark County ESC, 2100 38th Street N.W., Canton, Ohio 44709-2300 or by calling (330) 492-8136.

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**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 1,327,655
Receivables:	
Accounts	2,345,729
Intergovernmental	368,658
Accrued interest	13,170
Prepayments	6,178
Capital assets:	
Land	111,059
Depreciable capital assets, net	1,476,857
Total capital assets, net	1,587,916
Total assets.	5,649,306
Liabilities:	
Accounts payable.	61,311
Accrued wages and benefits	1,815,799
Pension obligation payable.	313,484
Intergovernmental payable	314,510
Long-term liabilities:	
Due within one year.	38,753
Due in more than one year	751,427
Total liabilities	3,295,284
Net assets:	
Invested in capital assets.	1,587,916
Restricted for:	
Capital projects	10,260
Locally funded programs.	21,618
State funded programs.	134,760
Federally funded programs	33,771
Food service operations	32,048
Unrestricted	533,649
Total net assets	\$ 2,354,022

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
				<u>Governmental Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 434,343	\$ -	\$ 340,414	\$ (93,929)
Special	6,203,251	4,789,981	359,325	(1,053,945)
Adult/continuing	15,731	-	17,564	1,833
Support services:				
Pupil.	1,171,191	928,088	26,764	(216,339)
Instructional staff	7,182,602	3,771,169	2,246,340	(1,165,093)
Board of education	15,137	-	-	(15,137)
Administration.	2,735,144	2,146,836	148,353	(439,955)
Fiscal.	556,873	-	130,001	(426,872)
Business.	1,086,185	69,134	-	(1,017,051)
Operations and maintenance	253,720	75,489	81,955	(96,276)
Pupil transportation.	12,467	1,787	-	(10,680)
Central	50,616	-	29,876	(20,740)
Extracurricular activities	22,099	-	-	(22,099)
Food service operations.	39,166	17,193	22,656	683
Total governmental activities	<u>\$ 19,778,525</u>	<u>\$ 11,799,677</u>	<u>\$ 3,403,248</u>	<u>(4,575,600)</u>
		General revenues:		
		Grants and entitlements not restricted		
		to specific programs		3,439,274
		Investment earnings		83,992
		Miscellaneous		60,536
				<u>3,583,802</u>
		Total general revenues		<u>3,583,802</u>
		Change in net assets		(991,798)
		Net assets at beginning of year.		<u>3,345,820</u>
		Net assets at end of year		<u>\$ 2,354,022</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	\$ 1,062,760	\$ 264,895	\$ 1,327,655
Receivables:			
Accounts	2,342,804	2,925	2,345,729
Intergovernmental	-	368,658	368,658
Accrued interest	13,170	-	13,170
Interfund loan receivable	42,686	25,489	68,175
Prepayments	6,178	-	6,178
Total assets	<u>\$ 3,467,598</u>	<u>\$ 661,967</u>	<u>\$ 4,129,565</u>
Liabilities:			
Accounts payable	\$ 31,554	\$ 29,757	\$ 61,311
Accrued wages and benefits	1,642,109	173,690	1,815,799
Compensated absences payable	13,656	-	13,656
Pension obligation payable.	284,328	29,156	313,484
Intergovernmental payable	203,018	111,492	314,510
Interfund loan payable	25,489	42,686	68,175
Deferred revenue	973,019	86,333	1,059,352
Total liabilities	<u>3,173,173</u>	<u>473,114</u>	<u>3,646,287</u>
Fund balances:			
Reserved for encumbrances	71,154	160,609	231,763
Reserved for prepayments	6,178	-	6,178
Unreserved, undesignated, reported in:			
General fund	217,093	-	217,093
Special revenue funds.	-	17,984	17,984
Capital projects fund	-	10,260	10,260
Total fund balances.	<u>294,425</u>	<u>188,853</u>	<u>483,278</u>
Total liabilities and fund balances	<u>\$ 3,467,598</u>	<u>\$ 661,967</u>	<u>\$ 4,129,565</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	483,278
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,587,916
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Accounts receivable	\$	965,142	
Intergovernmental receivable		86,333	
Accrued interest receivable		7,877	
Total			1,059,352
Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(776,524)	
Total			(776,524)
Net assets of governmental activities		\$	<u><u>2,354,022</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Tuition	\$ 6,657,574	\$ -	\$ 6,657,574
Contributions from private sources	7,772	-	7,772
Earnings on investments.	95,846	250	96,096
Charges for services	-	17,193	17,193
Services provided to other entities.	4,944,937	-	4,944,937
Rental income.	75,489	-	75,489
Other local revenues.	296,229	-	296,229
Intergovernmental - Intermediate	-	238,093	238,093
Intergovernmental - State	3,294,852	1,481,447	4,776,299
Intergovernmental - Federal.	144,422	2,355,176	2,499,598
Total revenue	<u>15,517,121</u>	<u>4,092,159</u>	<u>19,609,280</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	434,343	434,343
Special.	5,827,716	331,466	6,159,182
Adult/continuing	-	15,731	15,731
Support services:			
Pupil.	1,129,155	25,549	1,154,704
Instructional staff	4,389,974	2,676,500	7,066,474
Board of education	15,137	-	15,137
Administration.	2,611,941	199,591	2,811,532
Fiscal	367,642	187,036	554,678
Business	1,095,620	-	1,095,620
Operations and maintenance.	124,037	129,683	253,720
Pupil transportation	12,467	-	12,467
Central.	10,781	36,132	46,913
Extracurricular activities.	22,099	-	22,099
Food service operations	-	39,166	39,166
Total expenditures	<u>15,606,569</u>	<u>4,075,197</u>	<u>19,681,766</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(89,448)</u>	<u>16,962</u>	<u>(72,486)</u>
Other financing sources:			
Sale of capital assets.	2,062	-	2,062
Total other financing sources	<u>2,062</u>	<u>-</u>	<u>2,062</u>
Net change in fund balances	(87,386)	16,962	(70,424)
Fund balance at beginning of year	<u>381,811</u>	<u>171,891</u>	<u>553,702</u>
Fund balance at end of year	<u>\$ 294,425</u>	<u>\$ 188,853</u>	<u>\$ 483,278</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK 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, 2009

Net change in fund balances - total governmental funds \$ (70,424)

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

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is allocated over their estimated useful lives as depreciation
expense. This is the amount by which depreciation expense
exceeds capital outlays in the current period.

Capital asset additions	\$	63,506	
Current year depreciation		(174,887)	
Total			(111,381)

The net effect of various miscellaneous transactions involving
capital assets (i.e., sales, disposals, trade-ins, and donations) is to
decrease net assets. (13,405)

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

Tuition		45,009	
Interest revenue		(11,854)	
Services provided to other entities		(174,358)	
Other local revenue		(9,632)	
Intergovernmental		(671,718)	
Total			(822,553)

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

		25,965	
Change in net assets of governmental activities	\$		(991,798)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Investment Trust	Agency
Assets:		
Equity in pooled cash and investments	\$ 55,804,452	\$ 1,704,981
Receivables:		
Accounts	-	257,549
Accrued interest	220,308	-
Total assets	56,024,760	\$ 1,962,530
Liabilities:		
Accounts payable	-	\$ 40,185
Accrued wages and benefits	-	145,642
Intergovernmental payable	-	1,722,083
Pension obligation payable	-	32,966
Due to students	-	21,654
Total liabilities	-	\$ 1,962,530
Net assets:		
Net assets available for pool participants	56,024,760	
Total net assets	\$ 56,024,760	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Investment Trust</u>
Additions:	
Capital transactions	\$ 9,231,391
Interest	<u>1,667,630</u>
Total additions	<u>10,899,021</u>
Deductions:	
Distributions to participants	<u>1,048,577</u>
Total deductions	<u>1,048,577</u>
Change in net assets	9,850,444
Net assets at beginning of year.	<u>46,174,316</u>
Net assets at end of year.	<u><u>\$ 56,024,760</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 - DESCRIPTION OF THE ESC

The Stark County Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio. The Educational Service Center is a County Board of Education as defined by Section 3313.01 of the Ohio Revised Code. The Educational Service Center supplies supervisory, administrative and other needed services to participating school districts.

The Governing Board consists of 5 members elected by the voters of the County. This Board acts as the authorizing body for expenditures, policy and procedures, and approves all financial activities. The ESC is staffed by 152 non-certified employees and 139 certified employees to provide services to students throughout the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium ("SPARCC") - SPARCC is a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a six-member Executive Board, which is made up of three representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

Stark County Schools Council of Governments ("COG") - The COG is a group purchasing pool. The COG is governed by an Assembly which consists of one representative from each participating school district (usually the superintendent or designee). The Assembly elects officers for one year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the COG. All COG revenues are generated from charges for services.

In the case of SPARCC and the COG, the ESC serves as fiscal agent and custodian but is not accountable; therefore the operations of SPARCC and the COG have been excluded from the ESC's financial statements but the funds held on behalf of SPARCC are included as an agency fund and the funds held on behalf of the COG are included as an investment trust fund.

PUBLIC ENTITY RISK POOLS

Stark County Schools Council of Governments Health Benefit Plan

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Health Benefits Plan is provided through the COG. The COG is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the council. All Health Benefits Plan revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Stark County Schools Council of Governments Workers' Compensation Group Rating Plan

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the ESC and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

The other governmental funds of the ESC account for grants and other resources whose use is restricted to a particular purpose and for food service operations.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC's only trust fund is an investment trust fund which accounts for monies held by the ESC as fiscal agent for the COG. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency funds account for various resources held for other organizations and individuals.

C. Basis of Presentation and Measurement Focus

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

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

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

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

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

The investment trust fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of fiduciary net assets. The statement of changes in fiduciary net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

D. Basis of Accounting

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

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

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

Nonexchange transactions, in which the ESC receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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

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

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

E. Budgets

Although not legally required, the ESC adopts its budget for all funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the ESC (which are apportioned by the State Department of Education to each local board of education under the supervision of the ESC), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC is discretionary, the ESC continues to have its Board approve appropriations and estimated resources. The ESC's Board adopts an annual appropriation resolution, which is the Board's, authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the object level for the general fund and at the fund level for all other funds. Budgetary information for the general fund has been presented as supplementary information to the basic financial statements.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to federal agency securities, repurchase agreements, U.S. Government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State of Ohio 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, 2009.

Under existing Ohio statute all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2009 totaled \$95,846, which includes \$64,622 assigned from other ESC funds.

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

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC maintains a capitalization threshold of \$2,000. The ESC does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 years
Building and improvements	50 years
Furniture and equipment	10 - 20 years
Vehicles	5 - 10 years

H. Compensated Absences

Compensated absences of the ESC consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the ESC and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if (a) the employees' rights to payment are attributable to services already rendered; and (b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and for all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contracts and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the fiduciary funds are reported on the fiduciary fund statements.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

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

J. Fund Balance Reserves

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

K. Net Assets

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

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

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

M. Estimates

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

N. Interfund Activity

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

**STARK COUNTY EDUCATIONAL SERVICE CENTER
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

O. Interfund Balances

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the ESC has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the ESC.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the ESC.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the ESC.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the ESC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor funds</u>	
Teacher development	\$ 770
EMIS	19
Public school preschool	5,635
Miscellaneous federal grants	12,248

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the ESC had \$500 in undeposited cash on hand which is included on the financial statements of the ESC as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all ESC deposits was \$(4,812,290), exclusive of the \$10,490,000 in repurchase agreements included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the ESC's bank accounts. The negative carrying amount of deposits is primarily due to the sweeping of money into overnight repurchase agreements, which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$682,314 of the ESC's bank balance of \$932,314 was exposed to custodial risk as discussed below, while \$250,000 was covered by the FDIC.

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(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C. Investments

As of June 30, 2009, the ESC had the following investments and maturities:

Investment type	Fair value	Investment maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FNMA	\$ 4,504,540	\$ -	\$ -	\$ -	\$ 2,007,505	\$ 2,497,035
FHLB	15,423,228	2,019,380	2,045,320	4,535,315	3,294,308	3,528,905
FHLMC	16,627,277	-	1,776,332	2,018,640	1,556,120	11,276,185
FFCB	10,340,328	-	2,288,285	2,551,400	1,781,330	3,719,313
FHLB DN	2,774,212	2,774,212	-	-	-	-
STAR Ohio	2,623,963	2,623,963	-	-	-	-
Repurchase agreements	10,490,000	10,490,000	-	-	-	-
U.S. Government money market funds	865,330	865,330	-	-	-	-
	<u>\$ 63,648,878</u>	<u>\$ 18,772,885</u>	<u>\$ 6,109,937</u>	<u>\$ 9,105,355</u>	<u>\$ 8,639,263</u>	<u>\$ 21,021,438</u>

The weighted average maturity of investments is 1.48 years.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the ESC's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The ESC's investments in federal agency securities and the federal agency securities that underlie the repurchase agreements were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market funds an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The ESC's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the ESC's name. Of the ESC's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the ESC. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2009:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
FNMA	\$ 4,504,540	7.08
FHLB	15,423,228	24.23
FHLMC	16,627,277	26.12
FFCB	10,340,328	16.25
FHLB DN	2,774,212	4.36
STAR Ohio	2,623,963	4.12
Repurchase agreements	10,490,000	16.48
U.S. Government money market funds	865,330	1.36
	<u>\$ 63,648,878</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Financial Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (4,812,290)
Investments	63,648,878
Cash on hand	<u>500</u>
Total	<u>\$ 58,837,088</u>
<u>Cash and investments per financial statements</u>	
Governmental activities	\$ 1,327,655
Investment trust fund	55,804,452
Agency funds	<u>1,704,981</u>
Total	<u>\$ 58,837,088</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 42,686
Nonmajor governmental funds	General	<u>25,489</u>
		<u>\$ 68,175</u>

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

Interfund loan balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2009 consisted of accounts (billings to school districts for user charged services and tuition), intergovernmental grants and accrued interest. All receivables are considered collectible in full. A summary of the principal items of receivables reported in the statement of net assets follows:

Governmental activities:	
Accounts	\$ 2,345,729
Intergovernmental	368,658
Accrued interest	<u>13,170</u>
 Total	 <u>\$ 2,727,557</u>

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

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(CONTINUED)

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Governmental activities:				
Land	\$ 111,059	\$ -	\$ -	\$ 111,059
Total capital assets, not being depreciated	<u>111,059</u>	<u>-</u>	<u>-</u>	<u>111,059</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	76,515	-	-	76,515
Buildings and improvements	1,791,665	-	-	1,791,665
Furniture and equipment	1,448,363	49,737	(164,897)	1,333,203
Vehicles	107,888	13,769	-	121,657
Total capital assets, being depreciated	<u>3,424,431</u>	<u>63,506</u>	<u>(164,897)</u>	<u>3,323,040</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(76,515)	-	-	(76,515)
Buildings and improvements	(543,200)	(23,806)	-	(567,006)
Furniture and equipment	(1,113,535)	(140,680)	151,492	(1,102,723)
Vehicles	(89,538)	(10,401)	-	(99,939)
Total accumulated depreciation	<u>(1,822,788)</u>	<u>(174,887)</u>	<u>151,492</u>	<u>(1,846,183)</u>
Governmental activities capital assets, net	<u>\$ 1,712,702</u>	<u>\$ (111,381)</u>	<u>\$ (13,405)</u>	<u>\$ 1,587,916</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Special	\$ 55,145
<u>Support services:</u>	
Instructional staff	88,732
Administration	13,435
Fiscal	2,599
Business	11,273
Central	<u>3,703</u>
Total depreciation expense	<u>\$ 174,887</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 8 - LONG-TERM OBLIGATIONS

During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Compensated absences	\$ 853,230	\$ 25,097	\$ (88,147)	\$ 790,180	\$ 38,753

Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the ESC, is primarily the general fund.

NOTE 9 - RISK MANAGEMENT

A. Comprehensive

The ESC 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. The ESC has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the ESC to the commercial company. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

B. Shared Risk Pool

The ESC is a participant in the Stark County Schools Council of Governments ("COG") for the purpose of obtaining benefits at a reduced premium for both health care and workers' compensation.

The ESC's insurance program for health care, through the COG, is administered by Mutual Health Services Company and Aultcare Corporation. Payments are made to the COG for monthly premiums, monthly stop-loss premiums and administrative charges. The ESC is fiscal agent for the COG. The Treasurer of the ESC pays Mutual Health Services Company and Aultcare Corporation monthly for all participating districts, the actual amount of claims processed, the stop-loss premium and the administrative charges.

C. Worker's Compensation

The ESC also participates in a program with the COG to obtain workers' compensation coverage. This program is administered by Comp Management, Inc. The experience rating of each of the participating districts is calculated as one experience rate and applied to all participants in the program. Premiums paid to the Ohio Bureau of Workers' Compensation are based on this calculation. Total savings are then determined and each participant's performance is compared to the overall savings percentage of the program. The districts will then either receive money back or be required to contribute additional money to the Program.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$353,777, \$352,127 and \$358,022, respectively; 87.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The ESC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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(CONTINUED)

NOTE 10 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$948,907, \$931,180 and \$899,439, respectively; 87.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$8,310 made by the ESC and \$14,431 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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(CONTINUED)

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The ESC's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$266,027, \$242,224 and \$202,390, respectively; 87.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$29,190, \$25,372 and \$24,345, respectively; 87.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$72,993, \$71,629 and \$69,188, respectively; 87.71 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 12 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on the overall financial position of the ESC.

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(CONTINUED)

NOTE 12 - CONTINGENCIES - (Continued)

B. Litigation

There are no claims or lawsuits pending against the ESC that, upon ultimate disposition, would have a material effect, if any, on the financial condition of the ESC.

NOTE 13 - RELATED PARTY TRANSACTIONS

During fiscal year 2009, the ESC received fees in the amount of \$189,035 for fiscal agent services provided to the Stark County Schools Council of Governments.

The ESC also serves as fiscal agent for Stark Portage Area Computer Consortium (SPARCC). In lieu of fiscal agent fees, the ESC receives computer services from SPARCC at no charge.

NOTE 14 - INVESTMENT POOL

The ESC serves as fiscal agent for the Stark County Schools Council of Governments (COG) which is a legally separate entity. Investments are specifically purchased in the name of COG. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The COG earns interest on investments purchased in the name of the COG. This activity makes up the external portion of the investment pool.

During fiscal year 2009, investments were limited to federal agency securities, STAR Ohio, repurchase agreements and U.S. Government money market funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Condensed financial information for the investment pool follows:

Statement of Net Assets	
June 30, 2009	
Assets	
Equity in pooled cash and investments	\$ 58,837,088
Accrued interest receivable	<u>233,478</u>
<i>Total assets</i>	<u>59,070,566</u>
Net assets held in trust for pool participants	
External portion	56,024,760
Internal portion	<u>3,045,806</u>
<i>Total net assets held in trust for pool participants</i>	<u><u>\$ 59,070,566</u></u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

NOTE 14 - INVESTMENT POOL - (Continued)

Condensed financial information for the investment pool follows:

Statement of Changes in Net Assets
June 30, 2009

Additions	
Interest	\$ 1,751,622
Capital transactions	<u>9,575,982</u>
<i>Total additions</i>	<u>11,327,604</u>
 Deductions	
Distributions to participants	<u>1,854,507</u>
<i>Total deductions</i>	<u>1,854,507</u>
<i>Change in net assets</i>	9,473,097
<i>Net assets, beginning of year</i>	<u>49,597,469</u>
<i>Net assets, end of year</i>	<u><u>\$ 59,070,566</u></u>

Deposits and investments of the investment pool mirror those of the ESC. There are no differences between the deposits and investments of the ESC and those of the investment pool. See Note 4 for the disclosures related to investment risk as established in GASB Statement No. 40, "Deposits and Investment Risk Disclosures".

NOTE 15 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the participating school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

If additional funding is required and if a majority of the Boards of Education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their state foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

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**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition	\$ 6,824,355	\$ 6,822,150	\$ 6,545,770	\$ (276,380)
Contributions from private sources	5,302	5,300	7,772	2,472
Earnings on investments	75,024	75,000	75,341	341
Services provided to other entities	4,728,133	4,726,606	4,862,593	135,987
Rental income	53,017	53,000	75,489	22,489
Other local revenues	190,862	190,800	286,063	95,263
Intergovernmental - State	3,296,771	3,295,706	3,294,852	(854)
Intergovernmental - Federal	139,252	139,207	144,422	5,215
Total revenue	<u>15,312,716</u>	<u>15,307,769</u>	<u>15,292,302</u>	<u>(15,467)</u>
Expenditures:				
Current:				
Instruction:				
Special	5,895,268	6,177,985	5,712,264	465,721
Support services:				
Pupil	1,094,613	1,147,107	1,137,759	9,348
Instructional staff	4,110,631	4,307,763	4,405,102	(97,339)
Board of education	50,016	52,415	19,620	32,795
Administration	2,403,321	2,518,576	2,661,811	(143,235)
Fiscal	357,960	375,127	368,198	6,929
Business	1,057,648	1,108,369	1,112,460	(4,091)
Operations and maintenance	194,248	203,564	121,073	82,491
Pupil transportation	4,867	5,100	12,467	(7,367)
Central	11,189	11,726	12,809	(1,083)
Extracurricular activities	22,960	24,061	24,702	(641)
Total expenditures	<u>15,202,721</u>	<u>15,931,793</u>	<u>15,588,265</u>	<u>343,528</u>
Excess of revenues over (under) expenditures	<u>109,995</u>	<u>(624,024)</u>	<u>(295,963)</u>	<u>328,061</u>
Other financing sources (uses):				
Refund of prior year expenditures	30,010	30,000	38,910	8,910
Advances in	700,226	700,000	911,524	211,524
Advances (out)	(763,390)	(800,000)	(733,256)	66,744
Sale of capital assets	500	500	2,062	1,562
Total other financing sources (uses)	<u>(32,654)</u>	<u>(69,500)</u>	<u>219,240</u>	<u>288,740</u>
Net change in fund balance	77,341	(693,524)	(76,723)	616,801
Fund balance at beginning of year	788,804	788,804	788,804	-
Prior year encumbrances appropriated	249,473	249,473	249,473	-
Fund balance at end of year	<u>\$ 1,115,618</u>	<u>\$ 344,753</u>	<u>\$ 961,554</u>	<u>\$ 616,801</u>

SEE ACCOMPANYING BUDGETARY NOTES

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**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

**BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - BUDGETARY PROCESS

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

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

The ESC's Governing Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the object level for the general fund and at the fund level for all other funds.

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The schedule of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

**BUDGETARY NOTES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (76,723)
Net adjustment for revenue accruals	224,819
Net adjustment for expenditure accruals	(105,544)
Net adjustment for other sources/uses	(217,178)
Adjustment for encumbrances	<u>87,240</u>
GAAP basis	<u>\$ (87,386)</u>

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Cash Receipts	Cash Expenditures
<u>United States Department of Education</u> <i>(Passed-through the Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education: Preschool Grant	49825-PG-S1-2009	84.173	\$106,172	\$106,172
	N/A		900	
	49825-PG-S1-2008		10,725	
	49825-PGD106		6,000	6,000
Total Special Education: Preschool Grant			123,797	112,172
Special Education: Grants to States	49825-6B-S1-2009	84.027	965,088	911,059
	49825-6B-S1-2008		215,482	267,740
Total Special Education: Grants to States			1,180,570	1,178,799
Total Special Education Cluster			1,304,367	1,290,971
Adult Education: State Grant Program	49825-AB-S1-2009	84.002	17,285	16,009
	49825-AB-S1-2008		3,464	
Total Adult Education: State Grant Program			20,749	16,009
Even Start: State Educational Agencies	49825-EV-S1-2009	84.213	106,811	97,792
	49825-EV-S1-2008		9,839	16,421
Total Even Start: State Educational Agencies			116,650	114,213
English Language Acquisition Grants	49825-T3-S1-2009	84.365	24,897	24,360
	49825-T3-S1-2008		2,163	
Total English Language Acquisition Grants			27,060	24,360
School Improvement Grants	2009	84.377	8,000	8,000
Javits Gifted and Talented Students Education Grant Program	2009	84.206	3,000	
Career and Technical Education - Basic Grants to States	49825-VECI-TPD-08	84.048	31,614	5,401
Special Education - State Personnel Development	2009	84.323	50,008	39,892
	2008		947	5,718
Total Special Education - State Personnel Development			50,955	45,610
<i>(Direct)</i>				
Fund for the Improvement of Education	N/A	84.215K	87,053	77,728
		84.215K	91,075	81,708
		84.215M	50,835	51,522
			228,963	210,958
Total U.S. Department of Education			1,791,358	1,715,522
<u>United States Department of Agriculture</u> <i>(Passed-through the Ohio Department of Education)</i>				
Child Nutrition Cluster:				
School Breakfast Program	N/A	10.553	4,467	4,467
National School Lunch Program	N/A	10.555	17,824	17,824
Total Child Nutrition Cluster			22,291	22,291
Child and Adult Care Food Program	N/A	10.558	40,215	40,215
Total U.S. Department of Agriculture			62,506	62,506
<u>United States Department of Health and Human Services</u> <i>(Passed-through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>				
Title XIX - Medical Assistance Program	N/A	93.778	104,207	
<u>National Science Foundation</u> <i>(Direct)</i>				
Education and Human Resources	N/A	47.076	373,899	349,211
<i>(Passed-through Kent State University)</i>				
Education and Human Resources	442188-PO15319	47.076	52,545	39,986
Total National Science Foundation			426,444	389,197
Totals			\$ 2,384,515	\$2,167,225

The accompanying notes to this schedule are an integral part of this schedule.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Stark County Education Service Center, Stark County (the "Service Center") federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - CHILD NUTRITION CLUSTER

The Stark County Education Service Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Service Center assumes it expends federal monies first.



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*

Stark County Educational Service Center
Stark County
2100 38th Street N.W.
Canton, Ohio 44709

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stark County Educational Service Center, Stark County, Ohio, (the Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Service Center'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 Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Service Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Service Center'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 Service Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

We noted a certain internal control matter that we reported to the Service Center's management in a separate letter dated December 30, 2009.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
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www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the Service Center'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*.

We intend this report solely for the information and use of the audit committee, management, the Governing Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

December 30, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Stark County Educational Service Center
Stark County
2100 38th Street N.W.
Canton, Ohio 44709

To the Governing Board:

Compliance

We have audited the compliance of Stark County Educational Service Center, Stark County, Ohio, (the Service Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying Schedule of Findings identifies the Service Center's major federal program. The Service Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

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

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Service Center's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Service Center's ability to administer a federal program such that there is more than a remote likelihood that the Service Center's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

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

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

We intend this report solely for the information and use of the audit committee, management, the Governing Board, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 30, 2009

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

EDUCATIONAL SERVICE CENTER

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2010