



Mary Taylor, CPA  
Auditor of State



**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER  
GEAUGA COUNTY**

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**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER  
GEAUGA COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Geauga County Educational Service Center  
Geauga County  
470 Center Street, Building #2  
Chardon, Ohio 44024

To the Board:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Geauga County Educational Service Center, Geauga County, Ohio (the Service Center) as of and for the years ended June 30, 2008 and June 30, 2007, 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, the major fund, and the aggregate remaining fund information of the Geauga County Educational Service Center, Geauga County, Ohio, as of June 30, 2008 and June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the years 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 March 24, 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.

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

March 24, 2009

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The discussion and analysis of Geauga County Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2008 are as follows:

- A presentation of financial information under Governmental Accounting Standards Board (GASB) Statement Number 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".
- In total, net assets decreased by \$144,907.
- Revenues for governmental activities totaled \$9,286,765 in 2008. Of this total, 9 percent consisted of General revenues while Program revenues accounted for the balance of 91 percent.
- Program expenses totaled \$9,431,672. Instructional expenses made up 32 percent of this total while support services accounted for 68 percent.

### **Using this Annual Financial Report**

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

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

### **Reporting the Service Center as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

While this document contains all the funds used by the Educational County Service Center to provide programs and activities, the view of the Educational Service Center as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all Non-Fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*  
*(Continued)*

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These two statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction and support services.

**Reporting the Educational Service Center's Most Significant Funds**

*Fund Financial Statements*

The analysis of the Educational Service Center's major fund begins on page 11. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

*Governmental Funds*

Most of the Educational Service Center's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are 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 statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**The Educational Service Center as a Whole**

You may recall that the *Statement of Net Assets* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2008 compared to 2007:



**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*  
*(Continued)*

**Table 1**  
**Net Assets**

	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
<b>Assets</b>		
Current and Other Assets	\$1,780,738	\$1,790,464
Capital Assets, Net	54,615	66,631
<b>Total Assets</b>	<b>1,835,353</b>	<b>1,857,095</b>
<b>Liabilities</b>		
Current and Other Liabilities	974,383	811,627
Long-Term Liabilities		
Due Within One Year	28,834	50,200
Due in More than One Year	204,575	222,800
<b>Total Liabilities</b>	<b>1,207,792</b>	<b>1,084,627</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	54,615	66,631
Restricted for Other Purposes	69,243	99,537
Unrestricted	503,703	606,300
<b>Total Net Assets</b>	<b>\$627,561</b>	<b>\$772,468</b>

Total assets decreased by \$21,742. Current and Other Assets decreased by \$9,726. The decrease is attributed to a decrease in cash and cash equivalents. Liabilities increased by \$123,165 mostly as a result of an increase in accrued wages and the benefits payable associated to accrued wages.

By comparing assets and liabilities, one can see the overall position of the Educational Service Center remains stable as evidenced by the minimal change in net assets.

Table 2 shows the changes in net assets from fiscal year 2008 to fiscal year 2007. A comparative analysis of government-wide data is presented below:

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*  
*(Continued)*

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$7,944,146	\$6,414,961
Operating Grants and Contributions	476,863	599,169
<i>Total Program Revenues</i>	<u>8,421,009</u>	<u>7,014,130</u>
General Revenues:		
Grants and Entitlements	818,881	1,256,489
Investments	46,875	50,247
Miscellaneous	0	14,830
<i>Total General Revenues</i>	<u>865,756</u>	<u>1,321,566</u>
<i>Total Revenues</i>	<u>9,286,765</u>	<u>8,335,696</u>
<b>Program Expenses</b>		
Instruction		
Regular	149,742	128,502
Special	2,870,264	2,620,516
Adult/Continuing	26,841	32,116
Support Services:		
Pupil	3,077,788	2,798,864
Instructional Staff	2,201,733	1,713,909
Board of Education	30,215	24,017
Administration	553,524	516,991
Fiscal	220,367	231,747
Business	104,212	97,761
Operation and Maintenance	77,826	95,791
Pupil Transportation	0	21,000
Central	119,160	65,185
<i>Total Program Expenses</i>	<u>9,431,672</u>	<u>8,346,399</u>
Decrease in Net Assets	(144,907)	(10,703)
<i>Net Assets Beginning of Year</i>	<u>772,468</u>	<u>783,171</u>
<i>Net Assets End of Year</i>	<u>\$627,561</u>	<u>772,468</u>

**Governmental Activities**

Table 2 compares 2008 revenues and expenses to 2007. During the year, the Educational Service Center collected significantly more charges for service and sales revenue as compared to fiscal year 2007. This increased collection can be attributed to additional revenues generated due to staff development services offered to participating districts and additional pupil support services offered to participating districts. Expenditures also increased significantly due to the additional pupil and staff support offered to the participating districts.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*  
*(Continued)*

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The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$1,010,663 Net Cost of Services 2008 tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	<i>Total Cost of Services 2008</i>	<i>Net Cost of Services 2008</i>
Instruction:		
Regular	\$149,742	\$8,056
Special	2,870,264	299,675
Adult/Continuing	26,841	4,346
Support Services:		
Pupil	3,077,788	316,687
Instructional Staff	2,201,733	227,554
Board of Education	30,215	1,880
Administration	553,524	85,187
Fiscal	220,367	43,646
Business	104,212	7,510
Operation and Maintenance of Plant	77,826	887
Central	119,160	15,235
<i>Total</i>	<i>\$9,431,672</i>	<i>\$1,010,663</i>

**The Educational Service Center's Funds**

Information regarding the Educational Service Center's major fund can be found on page 20 & 21 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,373,856 and expenditures of \$9,459,247. The General Fund balance decreased \$48,213.

**General Fund Budgeting Highlights**

The Educational Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the general fund.

During the course of fiscal 2008, the Educational Service Center amended its general fund budget significantly. Many of the amendments were due to changes made in service programs offered to the participating districts; such as additional pupil support services and staff development services. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year federal and state grants will be awarded or material changes in existing grants will require a budgetary modification.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*  
*(Continued)*

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For the general fund, the original budget basis revenue estimate totaled \$6,858,361 compared to the final budget basis revenue estimate of \$8,630,134. The increase can be attributed to increased collection from tuition and fees revenues. The final budget basis expenditures estimate totaled \$9,223,240 compared to original estimates of \$9,198,332, minimal changes were made during the fiscal year.

**Capital Assets**

At the end of fiscal 2008, the Educational Service Center had \$54,615 invested in furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal 2008 values compared to 2007.

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

	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
Furniture and Fixtures	\$168,030	\$166,942
Accumulated Depreciation	(113,415)	(100,311)
<i>Totals</i>	<i>\$54,615</i>	<i>\$66,631</i>

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

**Current Financial Related Activities**

Geauga County Educational Service Center is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lorri Petersen, Treasurer, at Geauga County Educational Service Center, 470 Center St. Bldg 2, Chardon, Ohio 44024-1068 or call 440-285-2222.

# Geauga County Educational Service Center

## Statement of Net Assets

June 30, 2008

	<b><i>Governmental Activities</i></b>
<b><i>Assets</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,265,060
Intergovernmental Receivable	515,678
Depreciable Capital Assets, net	54,615
<b><i>Total Assets</i></b>	<b>1,835,353</b>
<b><i>Liabilities</i></b>	
Accounts Payable	20,835
Accrued Wages and Benefits	752,736
Intergovernmental Payable	158,812
Matured Compensated Absences Payable	42,000
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	28,834
Due in More Than One Year	204,575
<b><i>Total Liabilities</i></b>	<b>1,207,792</b>
<b><i>Net Assets</i></b>	
Invested in Capital Assets, Net of Related Debt	54,615
Restricted for Other Purposes	69,243
Unrestricted	503,703
<b><i>Total Net Assets</i></b>	<b>\$627,561</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

	<u>Program Revenues</u>		<i>Net (Expense) Revenue and Changes in Net Assets</i>
	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Expenses</u>			
<b>Governmental Activities</b>			
Instruction:			
Regular	\$149,742	\$93,885	\$47,801
Special	2,870,264	2,427,206	143,383
Adult/Continuing	26,841	1,182	21,313
Support Services:			
Pupils	3,077,788	2,626,301	134,800
Instructional Staff	2,201,733	1,925,271	48,908
Board of Education	30,215	28,335	0
Administration	553,524	416,283	52,054
Fiscal	220,367	176,721	0
Business	104,212	96,702	0
Operation and Maintenance of Plant	77,826	64,335	12,604
Central	119,160	87,925	16,000
<b>Totals</b>	<u>\$9,431,672</u>	<u>\$7,944,146</u>	<u>\$476,863</u>
			<u>(\$1,010,663)</u>
<b>General Revenues</b>			
			818,881
Grants and Entitlements not Restricted to Specific Programs			46,875
Investment Earnings			<u>865,756</u>
<b>Total General Revenues</b>			<u>865,756</u>
<b>Change in Net Assets</b>			(144,907)
<b>Net Assets Beginning of Year</b>			<u>772,468</u>
<b>Net Assets End of Year</b>			<u><u>\$627,561</u></u>

See Accompanying Notes to the Basic Financial Statements

# Geauga County Educational Service Center

## *Balance Sheet*

### *Governmental Funds*

*June 30, 2008*

	<b><i>General Fund</i></b>	<b><i>Other Governmental Funds</i></b>	<b><i>Total Governmental Funds</i></b>
<b><i>Assets</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$1,171,367	\$93,693	\$1,265,060
Intergovernmental Receivable	496,121	19,557	515,678
Interfund Receivable	29,358	0	29,358
<b><i>Total Assets</i></b>	<b><i>\$1,696,846</i></b>	<b><i>\$113,250</i></b>	<b><i>\$1,810,096</i></b>
<b><i>Liabilities</i></b>			
Accounts Payable	\$16,738	\$4,097	\$20,835
Accrued Wages and Benefits	745,293	7,443	752,736
Intergovernmental Payable	155,703	3,109	158,812
Deferred Revenue	0	6,884	6,884
Interfund Payable	0	29,358	29,358
Matured Compensated Absences Payable	42,000	0	42,000
<b><i>Total Liabilities</i></b>	<b><i>959,734</i></b>	<b><i>50,891</i></b>	<b><i>1,010,625</i></b>
<b><i>Fund Balances</i></b>			
Reserved for Encumbrances	58,203	6,982	65,185
Unreserved, Undesignated, Reported in:			
General Fund	678,909	0	678,909
Special Revenue Funds	0	55,377	55,377
<b><i>Total Fund Balances</i></b>	<b><i>737,112</i></b>	<b><i>62,359</i></b>	<b><i>799,471</i></b>
<b><i>Total Liabilities and Fund Balances</i></b>	<b><i>\$1,696,846</i></b>	<b><i>\$113,250</i></b>	<b><i>\$1,810,096</i></b>

See Accompanying Notes to the Basic Financial Statements

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

***Total Governmental Fund Balances*** \$799,471

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

Intergovernmental assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds. 6,884

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 54,615

Long-term compensated absences liabilities are not due and  
payable in the current period and therefore are not reported  
in the funds. (233,409)

***Net Assets of Governmental Activities*** \$627,561

See Accompanying Notes to the Basic Financial Statements



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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Customer Sales and Services	\$6,041,324	\$50,213	\$6,091,537
Intergovernmental	818,880	448,470	1,267,350
Tuition and Fees	1,934,385	12,200	1,946,585
Interest	46,875	0	46,875
Gifts and Donations	19,116	0	19,116
Miscellaneous	2,393	0	2,393
<b>Total Revenues</b>	<u>8,862,973</u>	<u>510,883</u>	<u>9,373,856</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	100,115	49,214	149,329
Special	2,692,280	159,332	2,851,612
Adult/Continuing	5,135	21,706	26,841
Support Services:			
Pupils	2,942,858	144,016	3,086,874
Instructional Staff	2,160,475	62,388	2,222,863
Board of Education	30,215	0	30,215
Administration	504,001	62,550	566,551
Fiscal	225,629	0	225,629
Business	103,119	0	103,119
Operation and Maintenance of Plant	57,472	20,000	77,472
Central	89,887	28,855	118,742
<b>Total Expenditures</b>	<u>8,911,186</u>	<u>548,061</u>	<u>9,459,247</u>
<b>Excess of Revenues Under Expenditures</b>	(48,213)	(37,178)	(85,391)
<b>Fund Balances Beginning of Year</b>	<u>785,325</u>	<u>99,537</u>	<u>884,862</u>
<b>Fund Balances End of Year</b>	<u><u>\$737,112</u></u>	<u><u>\$62,359</u></u>	<u><u>\$799,471</u></u>

See Accompanying Notes to the Basic Financial Statements

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

***Net Change in Fund Balances - Total Governmental Funds*** (\$85,391)

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

Intergovernmental revenues in the statement of activities that do not (87,091)  
provide current financial resources are not reported as revenues in the funds.

Governmental funds report capital outlay as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	9,207	
Capital Assets - Disposals	(1,644)	
Depreciation	<u>(19,579)</u>	
Total		(12,016)

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 the governmental funds.

Compensated Absences	<u>39,591</u>	
Total		<u>39,591</u>

*Changes in Net Assets of Governmental Activities* (\$144,907)

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2008*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Over/(Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Customer Sales and Services	\$5,564,493	\$5,808,485	\$5,808,485	\$0
Intergovernmental	825,118	818,880	818,880	0
Tuition and Fees	422,250	1,934,385	1,934,385	0
Interest	40,000	46,875	46,875	0
Gifts and Donations	6,250	19,116	19,116	0
Miscellaneous	250	2,393	2,393	0
<b>Total Revenues</b>	<b>6,858,361</b>	<b>8,630,134</b>	<b>8,630,134</b>	<b>0</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	139,488	109,238	103,146	6,092
Special	2,945,549	2,760,124	2,646,157	113,967
Adult/Continuing	7,411	11,529	5,135	6,394
Support Services:				
Pupils	3,077,146	3,014,787	2,926,995	87,792
Instructional Staff	1,931,689	2,226,080	2,106,161	119,919
Board of Education	34,130	39,468	32,465	7,003
Administration	522,889	524,815	512,331	12,484
Fiscal	259,433	247,563	239,350	8,213
Business	100,565	105,043	102,563	2,480
Operation and Maintenance of Plant	86,950	59,902	58,996	906
Central	93,082	124,691	94,624	30,067
<b>Total Expenditures</b>	<b>9,198,332</b>	<b>9,223,240</b>	<b>8,827,923</b>	<b>395,317</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(2,339,971)</b>	<b>(593,106)</b>	<b>(197,789)</b>	<b>395,317</b>
<b>Other Financing Sources and Uses</b>				
Advances In	54,044	37,511	37,511	0
Advances Out	(54,044)	(12,824)	(12,824)	0
<b>Total Other Financing Sources and Uses</b>	<b>0</b>	<b>24,687</b>	<b>24,687</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(2,339,971)</b>	<b>(568,419)</b>	<b>(173,102)</b>	<b>395,317</b>
<b>Fund Balance Beginning of Year</b>	<b>1,160,693</b>	<b>1,160,693</b>	<b>1,160,697</b>	<b>4</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>101,590</b>	<b>101,590</b>	<b>101,590</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>(\$1,077,688)</b>	<b>\$693,864</b>	<b>\$1,089,185</b>	<b>\$395,321</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2008*

	<u><i>Investment Trust</i></u>
<i>Assets</i>	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,422,675</u>
<i>Total Assets</i>	<u><u>1,422,675</u></u>
<i>Net Assets</i>	
Held in Trust for Pool Participants	<u>1,422,675</u>
<i>Total Net Assets</i>	<u><u>\$1,422,675</u></u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Funds*

*For the Fiscal Year June 30, 2008*

	<u><i>Investment Trust</i></u>
<b><i>Additions</i></b>	
Interest	\$37,899
<b><i>Deductions</i></b>	
Distributions to Participants	(37,899)
Capital Transactions	(98,585)
<b><i>Total Deductions</i></b>	<u>(136,484)</u>
<b><i>Change in Net Assets</i></b>	(98,585)
<b><i>Net Assets Beginning of Year</i></b>	<u>1,521,260</u>
<b><i>Net Assets End of Year</i></b>	<u><u>\$1,422,675</u></u>

See Accompanying Notes to the Basic Financial Statements

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## **Geauga County Educational Service Center**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

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### **Note 1 - Description of the Educational Service Center**

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 88 noncertificated and 95 certificated staff who provide services to 12,962 students through the school districts in Geauga County.

#### *Reporting Entity*

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

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

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in note 7 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

### **Note 2 - Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Explanation of the Educational Service Center's more significant policies follow.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

**General Fund** The general fund is the general operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has an investment trust fund which is used to account for the activity of the external investment pool for the Lake-Geauga Computer Association. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no agency funds.

**C. Measurement Focus**

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

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

The investment trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting** (continued)

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

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from 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: grants, investment earnings, tuition, customer services and charges for services, rentals and fees.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**E. Budgetary Data**

The Educational Service Center adopts its budget for all funds, other than agency 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 Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

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

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2008, the Educational Service Center had no investments.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Cash and Cash Equivalents** (continued)

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2008, the general fund received interest earned in the amount of \$46,875 and the private purpose trust received interest earned in the amount of \$37,899.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Capital Assets**

The Educational Service Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center's capitalization threshold is \$1,000. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives for furniture and fixtures of five to ten years.

**I. Interfund Balances**

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund net assets.

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 and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**N. Fund Balance Reserves**

The Educational Service Center records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

**O. Estimates**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008(continued)

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 Educational Service Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2008.

**Note 3 - Budgetary Basis of Accounting**

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

*Net Change in Fund Balance*

	<i>General</i>
<i>GAAP Basis</i>	(\$48,213)
Net Adjustment for Revenue Accruals	(232,839)
Advances In	37,511
Net Adjustment for Expenditure Accruals	171,257
Advances Out	(12,824)
Adjustment for Encumbrances	(87,994)
<i>Budget Basis</i>	(\$173,102)

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 4 - Deposits and Investments**

State statutes classify monies held by the Educational Service Center into three categories:

Active moneys are those moneys required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive moneys are those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim moneys are those moneys 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).

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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;
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 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 4 - Deposits and Investments** (continued)

6. The State Treasury Asset Reserve of Ohio; (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

**Deposits** At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,687,735. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2008, \$2,599,227 of the Educational Service Center's \$2,783,858 bank balance was exposed to custodial risk as discussed below, while \$184,631 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center'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 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 Educational Service Center.

**Investments** As of June 30, 2008, the Educational Service Center had no outstanding investments.

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Educational Service Center's investment policy limits investment portfolio maturities to five years or less.

**Concentration of Credit Risk.** The Educational Service Center places no limit on the amount that may be invested to any one issuer.



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008(continued)

**Note 5 - Receivables**

Receivables at June 30, 2008, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund:</i>	
Intergovernmental	\$ 496,121
<i>Total General Fund</i>	496,121
 <i>Special Revenue Funds:</i>	
Miscellaneous State	9,130
Adult Basic Education	2,606
Limited English Proficient	6,884
Federal Preschool	937
<i>Total Special Revenue Funds</i>	\$ 19,557
 <i>Total Intergovernmental Receivables</i>	 \$ 515,678

**Note 6 - State Funding**

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$43.50 for each of the 12,962 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service Center provides services. These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$43.50 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008(continued)

**Note 7 - Jointly Governed Organization and Insurance Purchasing Pool**

**A. Jointly Governed Organization**

The Lake-Geauga Education Computer Association (“Association”) is a jointly governed organization consisting of 18 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Association is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association’s assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Concord Township, Ohio, 44077.

**B. Insurance Purchasing Pool**

The Educational Service Center participates in a group rating plan for workers’ compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Program (“Plan”) was established as an insurance purchasing pool.

The Plan’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 8 - Capital Assets**

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

	<i>Balance at</i>			<i>Balance at</i>
	<i>6/30/07</i>	<i>Additions</i>	<i>Reductions</i>	<i>6/30/08</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, being depreciated:</i>				
Furniture, Fixtures & Equipment	\$ 166,942	\$ 9,207	\$ ( 8,119)	\$ 168,030
<i>Total Capital Assets, being depreciated</i>	<u>166,942</u>	<u>9,207</u>	<u>(8,119)</u>	<u>168,030</u>
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures & Equipment	<u>(100,311)</u>	<u>(19,579)</u>	<u>6,475</u>	<u>(113,415)</u>
<i>Total Accumulated Depreciation</i>	<u>(100,311)</u>	<u>(19,579)</u>	<u>6,475</u>	<u>(113,415)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 66,631</u>	<u>\$ (10,372)</u>	<u>\$ (1,644)</u>	<u>\$ 54,615</u>

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008(continued)

**Note 8 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 413
Special	11,422
Support Services:	
Pupils	112
Instructional Staff	1,313
Administration	2,911
Fiscal	1,897
Business	1,093
Central	418
<i>Total Depreciation Expense</i>	\$ 19,579

There was no significant construction in progress at June 30, 2008.

**Note 9 - Risk Management**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the Educational Service Center was insured under the county wide contract held by the Geauga County Commissioners.

Professional liability was protected by Hylant Administrative Services, LLC with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible for each claim. Vehicles are covered by Nationwide Insurance Company and holds a \$100 deductible for comprehensive and \$500 deductible for collision. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past fifteen years.

For fiscal year 2008, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 7B). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to districts that can meet the selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 10 - Defined Benefit Pension Plan**

**A. School Employee Retirement System**

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$117,124, \$92,994, and \$83,709 respectively; 100 percent had been contributed for all three years.

**B. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strs.org](http://www.strs.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member'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 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.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 10 - Defined Benefit Pension Plans** (continued)

**B. State Teachers Retirement System** (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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$616,322, \$559,810, and \$509,439, respectively. 100 percent of the contributions have been contributed for all three fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 11 – Postemployment Benefits**

**A. School Employee Retirement System**

The Educational Service Center participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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.

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 401h. For 2008, 4.18 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 2008, this amount was \$30,170.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008(continued)*

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**Note 11 – Postemployment Benefits** (continued)

**A. School Employee Retirement System** (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 Educational Service Center's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$53,447, \$30,821, and \$28,918 respectively; 100 percent was contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,439, \$6,125, and \$5,750 respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System**

The Educational Service Center contributes to the cost sharing multiple employer defined benefit Health 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](http://www.strsoh.org) or by calling (888) 227-7877.

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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$47,409, \$43,062, and \$39,188 respectively; 100 percent was contributed for all three fiscal years.

**Note 12 - Employee Benefits**

**A. Compensated Absences**

Certified and Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 240 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 60 days.

**B. Life Insurance**

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008(continued)

**Note 13 - Long-Term Obligations**

Changes in long-term obligations during fiscal year 2008 are as follows:

	<i>Balance July 1,2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30,2008</i>	<i>Due Within One Year</i>
Compensated Absences	\$ 273,000	\$10,609	(\$50,200)	\$ 233,409	\$ 28,834
<i>Total Long-Term Obligations</i>	<u>\$ 273,000</u>	<u>\$10,609</u>	<u>(\$50,200)</u>	<u>\$ 233,409</u>	<u>\$ 28,834</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.

**Note 14 - Grants**

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

**Note 15 – Interfund Transactions**

Interfund balances at June 30, 2008, consist of a receivable of \$29,358 for the general fund and a payable of \$2,606 for the Adult Basic Learning special revenue fund, \$10,218 for the Miscellaneous State special revenue fund and \$16,534 for the Early Learning Incentive special revenue fund.

**Note 16 – External Investment Pool**

By Statute, the Educational Service Center serves as fiscal agent for Lake Geauga Computer Association(LGCA), a legally separate entity. The Educational Service Center pools money of LGCA with the Educational Service Center's for investment purposes. The Educational Service Center cannot allocate its investment between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. Condensed financial information for the investment pool follows:

*Statement of Net Assets  
June 30, 2008*

<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$2,687,736
<i>Total Assets</i>	<u>\$2,687,736</u>
 <b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$1,265,061
External Portion	1,422,675
<i>Total Net Assets Held in Trust for Pool Participants</i>	<u>\$2,687,736</u>

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008(continued)

**Note 16 – External Investment Pool** (continued)

*Statement of Changes Net Assets*  
For Fiscal Year June 30, 2008

<b>Additions</b>	
Interest	\$84,774
Capital Transactions	197,799
<b>Total Additions</b>	282,573
<b>Deductions</b>	
Distribution to Participants	84,774
<i>Change in Net Assets</i>	197,799
<i>Net Assets Beginning of Year</i>	2,885,535
<i>Net Assets End of Year</i>	\$2,687,736

**Note 17 – Change in Accounting Principles**

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pension Plans*. The Educational Service Center has determined that the adoption of this statement did not have an impact on the Educational Service Center’s financial statements; however, note disclosures related to postemployment benefits have been modified.

The following other pronouncements have been issued by the GASB and have been adopted by the Educational Service Center; however, the Educational Service Center has not incurred any of the transactions described below and as a result there has been no impact on the Educational Service Center’s statements or note disclosures for the current period:

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*.



**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*

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The discussion and analysis of Geauga County Educational Service Center's (the "Educational Service Center") financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the Educational Service Center's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2007 are as follows:

- A presentation of financial information under Governmental Accounting Standards Board (GASB) Statement Number 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".
- In total, net assets decreased by \$10,703.
- Revenues for governmental activities totaled \$8,335,696 in 2007. Of this total, 16 percent consisted of General revenues while Program revenues accounted for the balance of 84 percent.
- Program expenses totaled \$8,346,399. Instructional expenses made up 33 percent of this total while support services accounted for 67 percent.

### **Using this Annual Financial Report**

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

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

### **Reporting the Service Center as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

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

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*  
*(Continued)*

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These two statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the financial position of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

The *Statement of Net Assets* and the *Statement of Activities* are represented by one type of activity; Governmental Activities. The Educational Service Center's programs and services are reported here including instruction and support services.

### **Reporting the Educational Service Center's Most Significant Funds**

#### *Fund Financial Statements*

The analysis of the Educational Service Center's major fund begins on page 45. Fund financial reports provide detailed information about the Educational Service Center's major funds. The Educational Service Center uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major governmental fund is the general fund.

#### *Governmental Funds*

Most of the Educational Service Center's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are 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 statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

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

You may recall that the *Statement of Net Assets* provides the perspective of the Educational Service Center as a whole. Table 1 provides a summary of the Educational Service Center's net assets for 2007 compared to 2006:

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*  
*(Continued)*

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**Table 1**  
**Net Assets**

	<i>Governmental Activities</i>	
	<i>2007</i>	<i>2006</i>
<b>Assets</b>		
Current and Other Assets	\$1,790,464	\$1,723,943
Capital Assets, Net	66,631	64,624
<b>Total Assets</b>	<b>1,857,095</b>	<b>1,788,567</b>
<b>Liabilities</b>		
Current and Other Liabilities	811,627	756,397
Long-Term Liabilities		
Due Within One Year	50,200	32,230
Due in More than One Year	222,800	216,769
<b>Total Liabilities</b>	<b>1,084,627</b>	<b>1,005,396</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Debt	66,631	64,624
Restricted for Other Purposes	99,537	166,934
Unrestricted	606,300	551,613
<b>Total Net Assets</b>	<b>\$772,468</b>	<b>\$783,171</b>

Total assets increased by \$68,528. Current and Other Assets increased by \$66,521. The increase is attributed to an increase in cash and cash equivalents. Liabilities increased by \$79,231 mostly as a result of increased accrued wages.

By comparing assets and liabilities, one can see the overall position of the Educational Service Center remains stable as evidenced by increased assets and a minimal decrease in net assets.

Table 2 shows the changes in net assets from fiscal year 2007 to fiscal year 2006. A comparative analysis of government-wide data is presented below:

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*  
*(Continued)*

**Table 2**  
**Changes in Net Assets**

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$6,414,961	\$5,710,647
Operating Grants and Contributions	599,169	701,491
<i>Total Program Revenues</i>	<u>7,014,130</u>	<u>6,412,138</u>
General Revenues:		
Grants and Entitlements	1,256,489	1,224,205
Investments	50,247	30,070
Miscellaneous	14,830	0
<i>Total General Revenues</i>	<u>1,321,566</u>	<u>1,254,275</u>
<i>Total Revenues</i>	<u>8,335,696</u>	<u>7,666,413</u>
<b>Program Expenses</b>		
Instruction		
Regular	128,502	183,582
Special	2,620,516	2,095,274
Adult/Continuing	32,116	24,304
Support Services:		
Pupil	2,798,864	2,702,569
Instructional Staff	1,713,909	1,636,233
Board of Education	24,017	22,434
Administration	516,991	420,577
Fiscal	231,747	157,784
Business	97,761	95,743
Operation and Maintenance	95,791	15,429
Pupil Transportation	21,000	2,885
Central	65,185	73,353
<i>Total Program Expenses</i>	<u>8,346,399</u>	<u>7,430,167</u>
Increase(Decrease) Net Assets	(10,703)	236,246
<i>Net Assets Beginning of Year</i>	<u>783,171</u>	<u>546,925</u>
<i>Net Assets End of Year</i>	<u>\$772,468</u>	<u>\$783,171</u>

**Governmental Activities**

A review of Table 2 reinforces the concept of sound fiscal management in the government sector since net assets decreased by a minimal amount of \$10,703. During the fiscal year, revenues from charges for services and sales increased significantly as did special instruction program expenses. The increases can be attributed to the Educational Service Center offering more special education instructional services to the participating districts. The administrative team is continually analyzing the progress of the Educational Service Center and will continue to make recommendations to improve the financial status of the organization.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*  
*(Continued)*

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The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. The \$1,332,269 Net Cost of Services 2007, tells the reader that these services are not self-supporting, but are supported by unrestricted State entitlements.

**Table 3**  
**Governmental Activities**

	<i>Total Cost of Services 2007</i>	<i>Net Cost of Services 2007</i>
Instruction:		
Regular	\$128,502	\$15,759
Special	2,620,516	468,107
Adult/Continuing	32,116	3,604
Support Services:		
Pupil	2,798,864	417,822
Instructional Staff	1,713,909	249,462
Board of Education	24,017	1,562
Administration	516,991	111,512
Fiscal	231,747	42,711
Business	97,761	(751)
Operation and Maintenance of Plant	95,791	14,595
Pupil Transportation	21,000	945
Central	65,185	6,941
<i>Total</i>	<i>\$8,346,399</i>	<i>\$1,332,269</i>

**The Educational Service Center's Funds**

Information regarding the Educational Service Center's major fund can be found on page 55 & 56 of the notes to the basic financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,292,645 and expenditures of \$8,324,405. The General Fund balance increased \$255.

**General Fund Budgeting Highlights**

The Educational Service Center's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant fund to be budgeted is the general fund.

During the course of fiscal 2007, the Educational Service Center made several amendments to its general fund budget. Many of the amendments were due to changes in programs offered, client-district needs and capital improvement decisions. The general fund is often called upon to advance funds to one project or another. During the course of the fiscal year federal and state grants will be awarded or material changes in existing grants will require a budgetary modification.

**Geauga County Educational Service Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
*Unaudited*  
*(Continued)*

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For the general fund, the original budget basis revenue estimate totaled \$6,584,386 compared to the final budget basis revenue estimate of \$7,682,636. The increase can be attributed to increased collection from customer sales and services revenues generated from special education instructional services offered to the participating districts. The final budget basis expenditures estimate totaled \$8,372,712 compared to original estimates of \$7,110,353. The increase in the budget can be attributed to increased expenditures related to services provided to participating school districts for special education instruction, support services for pupils and support service for the instructional staff.

**Capital Assets**

At the end of fiscal 2007, the Educational Service Center had \$66,631 invested in furniture and fixtures, net of accumulated depreciation. Table 4 shows fiscal 2007 values compared to 2006.

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

	<i>Governmental Activities</i>	
	<i>2007</i>	<i>2006</i>
Furniture and Fixtures	\$166,942	\$150,351
Accumulated Deprecation	(100,311)	(85,727)
<i>Totals</i>	\$66,631	\$64,624

All capital assets are reported at historical cost. For more information on capital assets refer to Note 8 of the basic financial statements.

**Current Financial Related Activities**

Geauga Educational Service Center is financially sound. The Board and administration closely monitor its revenue and expenditures in accordance with board policy. The Educational Service Center is committed to serving its local school districts and will continue to do so. While many outside factors can affect the economy, the Educational Service Center is committed to providing the best services possible and to be fiscally responsible now and in the future.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lorri Petersen, Treasurer, at Geauga Educational Service Center, 470 Center St. Bldg 2, Chardon, Ohio 44024-1068 or call 440-285-2222.

# Geauga County Educational Service Center

## Statement of Net Assets

June 30, 2007

	<b><i>Governmental Activities</i></b>
<b><i>Assets</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,363,167
Intergovernmental Receivable	427,297
Depreciable Capital Assets, net	66,631
<b><i>Total Assets</i></b>	<b>1,857,095</b>
<b><i>Liabilities</i></b>	
Accounts Payable	6,837
Accrued Wages and Benefits	644,346
Intergovernmental Payable	141,630
Matured Compensated Absences Payable	18,814
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due Within One Year	50,200
Due in More Than One Year	222,800
<b><i>Total Liabilities</i></b>	<b>1,084,627</b>
<b><i>Net Assets</i></b>	
Invested in Capital Assets, Net of Related Debt	66,631
Restricted for Other Purposes	99,537
Unrestricted	606,300
<b><i>Total Net Assets</i></b>	<b>\$772,468</b>

See Accompanying Notes to the Basic Financial Statements

## Geauga County Educational Service Center

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

	<i>Program Revenues</i>			<i>Net (Expense)</i>
	<i>Charges for</i>	<i>Operating</i>	<i>Revenue and</i>	
	<i>Services</i>	<i>Grants and</i>	<i>Changes in</i>	
<i>Expenses</i>	<i>and Sales</i>	<i>Contributions</i>	<i>Net Assets</i>	
			<i>Governmental</i>	
			<i>Activities</i>	
<b><i>Governmental Activities</i></b>				
Instruction:				
Regular	\$128,502	\$112,173	\$570	(\$15,759)
Special	2,620,516	1,917,543	234,866	(468,107)
Adult/Continuing	32,116	4,556	23,956	(3,604)
Support Services:				
Pupils	2,798,864	2,301,191	79,851	(417,822)
Instructional Staff	1,713,909	1,358,664	105,783	(249,462)
Board of Education	24,017	22,455	0	(1,562)
Administration	516,991	317,510	87,969	(111,512)
Fiscal	231,747	189,036	0	(42,711)
Business	97,761	82,657	15,855	751
Operation and Maintenance of Plant	95,791	53,932	27,264	(14,595)
Pupil Transportation	21,000	0	20,055	(945)
Central	65,185	55,244	3,000	(6,941)
	<b><u>\$8,346,399</u></b>	<b><u>\$6,414,961</u></b>	<b><u>\$599,169</u></b>	<b><u>(\$1,332,269)</u></b>
<b><i>Totals</i></b>				
 <b><i>General Revenues</i></b>				
			1,256,489	
Grants and Entitlements not Restricted to Specific Program			50,247	
Investment Earnings			14,830	
Miscellaneous			<b><u>1,321,566</u></b>	
<b><i>Total General Revenues</i></b>				
			<b><u>1,321,566</u></b>	
<b><i>Change in Net Assets</i></b>				(10,703)
<b><i>Net Assets Beginning of Year</i></b>				<b><u>783,171</u></b>
<b><i>Net Assets End of Year</i></b>				<b><u>\$772,468</u></b>

See Accompanying Notes to the Basic Financial Statements



# Geauga County Educational Service Center

## *Balance Sheet*

### *Governmental Funds*

*June 30, 2007*

	<b><i>General Fund</i></b>	<b><i>Other Governmental Funds</i></b>	<b><i>Total Governmental Funds</i></b>
<b><i>Assets</i></b>			
Equity in Pooled Cash and Cash Equivalents	\$1,262,276	\$100,891	\$1,363,167
Intergovernmental Receivable	357,258	70,039	427,297
Interfund Receivable	54,044	0	54,044
<b><i>Total Assets</i></b>	<b>\$1,673,578</b>	<b>\$170,930</b>	<b>\$1,844,508</b>
<b><i>Liabilities</i></b>			
Accounts Payable	\$5,363	\$1,474	\$6,837
Accrued Wages and Benefits	634,794	9,552	644,346
Intergovernmental Payable	135,307	6,323	141,630
Deferred Revenue	93,975	0	93,975
Interfund Payable	0	54,044	54,044
Compensated Absences Payable	18,814	0	18,814
<b><i>Total Liabilities</i></b>	<b>888,253</b>	<b>71,393</b>	<b>959,646</b>
<b><i>Fund Balances</i></b>			
Reserved for Encumbrances	97,548	41,613	139,161
Unreserved, Undesignated, Reported in:			
General Fund	687,777	0	687,777
Special Revenue Funds	0	57,924	57,924
<b><i>Total Fund Balances</i></b>	<b>785,325</b>	<b>99,537</b>	<b>884,862</b>
<b><i>Total Liabilities and Fund Balances</i></b>	<b>\$1,673,578</b>	<b>\$170,930</b>	<b>\$1,844,508</b>

See Accompanying Notes to the Basic Financial Statements

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

***Total Governmental Fund Balances*** \$884,862

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

Intergovernmental assets are not available to pay for current-period  
expenditures and therefore are deferred in the funds. 93,975

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds. 66,631

Long-term compensated absences liabilities are not due and  
payable in the current period and therefore are not reported  
in the funds. (273,000)

***Net Assets of Governmental Activities*** \$772,468

See Accompanying Notes to the Basic Financial Statements

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Customer Sales and Services	\$5,795,748	\$50,034	\$5,845,782
Intergovernmental	1,256,489	649,968	1,906,457
Tuition and Fees	462,967	12,237	475,204
Interest	50,247	0	50,247
Gifts and Donations	14,125	0	14,125
Miscellaneous	705	125	830
<b>Total Revenues</b>	<u>7,580,281</u>	<u>712,364</u>	<u>8,292,645</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	126,952	876	127,828
Special	2,276,735	327,581	2,604,316
Adult/Continuing	5,381	26,735	32,116
Support Services:			
Pupils	2,734,737	84,880	2,819,617
Instructional Staff	1,562,050	152,603	1,714,653
Board of Education	24,017	0	24,017
Administration	393,382	87,704	481,086
Fiscal	236,681	0	236,681
Business	97,324	0	97,324
Operation and Maintenance of Plant	55,676	40,000	95,676
Pupil Transportation	0	21,000	21,000
Central	67,091	3,000	70,091
<b>Total Expenditures</b>	<u>7,580,026</u>	<u>744,379</u>	<u>8,324,405</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	255	(32,015)	(31,760)
<b>Fund Balances Beginning of Year</b>	<u>785,070</u>	<u>131,552</u>	<u>916,622</u>
<b>Fund Balances End of Year</b>	<u><u>\$785,325</u></u>	<u><u>\$99,537</u></u>	<u><u>\$884,862</u></u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2007*

***Net Change in Fund Balances - Total Governmental Funds*** (\$31,760)

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

Intergovernmental revenues in the statement of activities that do not  
provide current financial resources are not reported as revenues in the funds. 43,051

Governmental funds report capital outlay as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense. In the current period, these amounts are:

Capital Assets - Additions	18,860	
Capital Assets - Disposals	(412)	
Depreciation	<u>(16,441)</u>	
 Total		 2,007

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 the governmental funds.

Compensated Absences	<u>(24,001)</u>	
 Total		 <u>(24,001)</u>

*Changes in Net Assets of Governmental Activities* (\$10,703)

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**  
*Schedule of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2007*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Over/(Under)</b>
<b>Revenues</b>				
Customer Sales and Services	\$4,936,000	\$5,891,805	\$5,891,805	\$0
Intergovernmental	1,264,736	1,258,424	1,258,424	0
Tuition and Fees	339,000	467,330	467,330	0
Interest	34,000	50,247	50,247	0
Gifts and Donations	10,650	14,125	14,125	0
Miscellaneous	0	705	705	0
<b>Total Revenues</b>	<b>6,584,386</b>	<b>7,682,636</b>	<b>7,682,636</b>	<b>0</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	181,664	155,381	132,481	22,900
Special	1,981,063	2,560,920	2,240,787	320,133
Adult/Continuing	7,500	8,411	5,381	3,030
Support Services:				
Pupils	2,533,537	2,873,994	2,754,002	119,992
Instructional Staff	1,607,290	1,780,266	1,598,552	181,714
Board of Education	33,424	35,130	28,560	6,570
Administration	383,880	418,646	376,519	42,127
Fiscal	188,243	262,405	243,303	19,102
Business	95,571	101,446	98,880	2,566
Operation and Maintenance of Plant	16,779	86,950	57,220	29,730
Transportation	2,500	0	0	0
Central	78,902	89,163	76,326	12,837
<b>Total Expenditures</b>	<b>7,110,353</b>	<b>8,372,712</b>	<b>7,612,011</b>	<b>760,701</b>
<b>Excess of Revenues Over</b>				
<b>(Under) Expenditures</b>	<b>(525,967)</b>	<b>(690,076)</b>	<b>70,625</b>	<b>760,701</b>
<b>Other Financing Sources and Uses</b>				
Advances In	23,500	23,500	23,500	0
Advances Out	0	(54,044)	(54,044)	0
<b>Total Other Financing Sources and Uses</b>	<b>23,500</b>	<b>(30,544)</b>	<b>(30,544)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(502,467)</b>	<b>(720,620)</b>	<b>40,081</b>	<b>760,701</b>
<b>Fund Balance Beginning of Year</b>	<b>1,095,880</b>	<b>1,095,880</b>	<b>1,095,880</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>24,736</b>	<b>24,736</b>	<b>24,736</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$618,149</b>	<b>\$399,996</b>	<b>\$1,160,697</b>	<b>\$760,701</b>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2007*

	<u><i>Investment Trust</i></u>
<b><i>Assets</i></b>	
Equity in Pooled Cash and Cash Equivalents	\$1,522,368
<i>Total Assets</i>	<u>1,522,368</u>
<b><i>Liabilities</i></b>	
Intergovernmental Payable	1,108
<i>Total Liabilities</i>	<u>1,108</u>
<b><i>Net Assets</i></b>	
Held in Trust for Pool Participants	1,521,260
<i>Total Net Assets</i>	<u>\$1,521,260</u>

See Accompanying Notes to the Basic Financial Statements

**Geauga County Educational Service Center**

*Statement of Changes in Fiduciary Net Assets*

*Fiduciary Funds*

*For the Fiscal Year June 30, 2007*

	<u><i>Investment Trust</i></u>
<b><i>Additions</i></b>	
Interest	\$50,246
Capital Transactions - Purchases	404,778
	<hr/>
<i>Total Assets</i>	455,024
	<hr/>
<b><i>Deductions</i></b>	
Distributions to Participants	50,246
Capital Transactions	101,600
	<hr/>
<i>Total Deductions</i>	151,846
	<hr/>
<i>Change in Net Assets</i>	303,178
<i>Net Assets Beginning of Year</i>	1,218,082
	<hr/>
<i>Net Assets End of Year</i>	\$1,521,260
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See Accompanying Notes to the Basic Financial Statements

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## **Geauga County Educational Service Center**

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

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### **Note 1 - Description of the Educational Service Center**

The Geauga County Schools' Educational Service Center (the Educational Service Center) and its Governing Board were established in 1914. The first regular meeting of the Governing Board was July 1, 1914. On June 20, 1989, the Educational Service Center was chartered by the State Board of Education. The Educational Service Center supplies supervisory, administrative, technological, and other needed services to local school districts in Geauga County.

The Educational Service Center operates under a locally elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the Educational Service Center's instructional/support facilities staffed by 56 noncertificated and 76 certificated staff who provide services to 13,186 students through the school districts in Geauga County.

#### *Reporting Entity*

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate for the Educational Service Center. For the Educational Service Center, this includes all the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal activities of the Educational Service Center.

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

The Educational Service Center is associated with certain organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations are presented in note 7 to the basic financial statements. These organizations include the Lake-Geauga Computer Association and the Ohio School Boards Association Workers Compensation Group Rating Program.

### **Note 2 - Summary of Significant Accounting Policies**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources. Explanation of the Educational Service Center's more significant policies follow.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

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

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

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

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

**B. Fund Accounting**

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**B. Fund Accounting** (continued)

**General Fund** The general fund is the general operating fund of the Educational Service Center and is used to account for all financial resources except those required to be accounted for in another fund.

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

**Fiduciary Fund Type** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Educational Service Center's own programs. The Educational Service Center has an investment trust fund which is used to account for the activity of the external investment pool for the Lake-Geauga Computer Association. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Educational Service Center has no agency funds.

**C. Measurement Focus**

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

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

The investment trust fund is reported using the economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Basis of Accounting** (continued)

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

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from 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: grants, investment earnings, tuition, customer services and charges for services, rentals and fees.

**Deferred Revenue** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**E. Budgetary Data**

The Educational Service Center adopts its budget for all funds, other than agency 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 Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Educational Service Center), and Part (C) includes the adopted appropriation resolution.

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

The estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that were in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues by fund. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pooled bank account is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2007, the Educational Service Center had no investments.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**F. Cash and Cash Equivalents** (continued)

Under existing Ohio statutes, the Governing Board may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 2007, the general fund received interest earned in the amount of \$50,247 and the private purpose trust received interest earned in the amount of \$50,246.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

**H. Capital Assets**

The Educational Service Center's only capital assets are general capital assets. General capital assets are capital assets which are associated with and generally arise from 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The Educational Service Center's capitalization threshold is \$1,000. The Educational Service Center does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the useful lives for furniture and fixtures of five to ten years.

**I. Interfund Balances**

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means

Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements or fiduciary fund net assets.

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 and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

**L. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditure/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transfers are reported as operating transfers.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**N. Fund Balance Reserves**

The Educational Service Center records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

**O. Estimates**

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007(continued)

**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 Educational Service Center and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

**Note 3 - Budgetary Basis of Accounting**

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

*Net Change in Fund Balance*

	<i>General</i>
<i>GAAP Basis</i>	\$255
Net Adjustment for Revenue Accruals	102,355
Advances In	23,500
Net Adjustment for Expenditure Accruals	69,604
Advances Out	(54,044)
Adjustment for Encumbrances	(101,589)
<i>Budget Basis</i>	\$40,081



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 4 - Deposits and Investments**

State statutes classify monies held by the Educational Service Center into three categories:

Active moneys are those moneys required to be kept in a cash" or "near-cash" status for immediate use by the Educational Service Center. Such moneys must be maintained either as cash in the Educational Service Center treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive moneys are those moneys not required for use within the current five year period of designation of depositories. Inactive moneys must be deposited or invested as certificates of deposit maturing no later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Interim moneys are those moneys 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).

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or 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;
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 2 percent and be marked to market daily; and that the term of the agreement does not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 4 - Deposits and Investments** (continued)

6. The State Treasury Asset Reserve of Ohio; (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made 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.

**Deposits** At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,885,535. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2007, \$2,806,647 of the Educational Service Center's \$3,006,647 bank balance was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Educational Service Center'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 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 Educational Service Center.

**Investments** As of June 30, 2007, the Educational Service Center had no outstanding investments.

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Educational Service Center's investment policy limits investment portfolio maturities to five years or less.

**Concentration of Credit Risk.** The Educational Service Center places no limit on the amount that may be invested to any one issuer.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007(continued)

**Note 5 - Receivables**

Receivables at June 30, 2007, consisted of accounts (excess costs and tuition) and intergovernmental grants. All receivables are considered collectible within one year and in full. A summary of the principal items of intergovernmental receivables follows:

	<i>Amounts</i>
<i>General Fund:</i>	
Intergovernmental	\$ 357,258
<i>Total General Fund</i>	357,258
 <i>Special Revenue Funds:</i>	
Adult Basic Education	5,494
Title I	55,074
Federal Preschool	9,471
<i>Total Special Revenue Funds</i>	\$ 70,039
 <i>Total Intergovernmental Receivables</i>	 \$ 427,297

**Note 6 - State Funding**

The Educational Service Center is funded by the State Board of Education from State funds for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Educational Service Center receives \$43.50 for each of the 13,186 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school district's to which the Educational Service Center provides services. These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$43.50 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007(continued)

**Note 7 - Jointly Governed Organization and Insurance Purchasing Pool**

**A. Jointly Governed Organization**

The Lake-Geauga Education Computer Association (“Association”) is a jointly governed organization consisting of 18 school districts in Lake, Geauga and Cuyahoga County. This jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Association is organized under Chapter 167 and 3313 of the Ohio Revised Code and is governed by an assembly that consists of a superintendent or designated representative from each participating member. The Association has a Board of Directors chosen from the general membership of the Association’s assembly. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting, and designating management. The degree of control exercised by any participating school district is limited to its voting rights at general assembly meetings. The Educational Service Center is the fiscal agent as well as a voting member of the Association. All the consortium revenues are generated from charges for services and State funding. To obtain financial information, write the Lake-Geauga Education Computer Association, 8221 Auburn Road, Concord Township, Ohio, 44077.

**B. Insurance Purchasing Pool**

The Educational Service Center participates in a group rating plan for workers’ compensation as established under section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers’ Compensation Group Rating Program (“Plan”) was established as an insurance purchasing pool.

The Plan’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**Note 8 - Capital Assets**

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

	<i>Balance at</i>			<i>Balance at</i>
	<i>6/30/06</i>	<i>Additions</i>	<i>Reductions</i>	<i>6/30/07</i>
<i>Governmental Activities:</i>				
<i>Capital Assets, being depreciated:</i>				
Furniture, Fixtures & Equipment	\$ 150,351	\$ 18,860	\$ (2,269)	\$ 166,942
<i>Total Capital Assets, being depreciated</i>	<u>150,351</u>	<u>18,860</u>	<u>(2,269)</u>	<u>166,942</u>
<i>Less Accumulated Depreciation:</i>				
Furniture, Fixtures & Equipment	(85,727)	(16,441)	1,857	(100,311)
<i>Total Accumulated Depreciation</i>	<u>(85,727)</u>	<u>(16,441)</u>	<u>1,857</u>	<u>(100,311)</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 64,624</u>	<u>\$ 2,419</u>	<u>\$ (412)</u>	<u>\$ 66,631</u>

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007(continued)

**Note 8 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 674
Special	9,886
Support Services:	
Pupils	259
Instructional Staff	504
Administration	2,622
Fiscal	1,386
Business	437
Operation and Maintenance of Plant	115
Central	558
<i>Total Depreciation Expense</i>	\$ 16,441

There was no significant construction in progress at June 30, 2007.

**Note 9 - Risk Management**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Educational Service Center was insured under the county wide contract held by the Geauga County Commissioners.

Professional liability was protected by Hylant Administrative Services, LLC with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible for each claim. Vehicles are covered by Nationwide Insurance Company and holds a \$100 deductible for comprehensive and \$500 deductible for collision. The policy includes coverage for hired and nonowned automobiles. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past fifteen years.

For fiscal year 2007, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program, an insurance purchasing pool (Note 7B). The Program is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program. Each participant pays its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the program. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to districts that can meet the selection criteria. The districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the program.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 10 - Defined Benefit Pension Plan**

**A. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established 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 for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; for fiscal year 2007, 10.68 percent was the portion used to fund pension obligations. The adequacy of the contribution rates is actuarially determined annually. The Educational Service Center's contributions to SERS for the years ended June 30, 2007, 2006, and 2005 were \$99,119, \$89,460, and \$63,806, respectively, equal to the required contributions for each year. One hundred percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. STRS issues publicly available general purpose financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and the employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007(continued)*

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**Note 10 - Defined Benefit Pension Plan** (continued)

**B. State Teachers Retirement System** (continued)

For the fiscal year ended June 30, 2007, plan members are required to contribute 10 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligation was also 13 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's contributions to STRS for the years ended June 30, 2007, 2006, and 2005 were \$559,810, \$509,439, and \$445,931, respectively, equal to the required contributions for each year. One hundred percent of the STRS contributions have been contributed for all three fiscal years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security. As of June 30, 2007, one of the governing board members has elected social security. The board's liability is 6.2 percent of the wages paid.

**Note 11 - Post Employment Benefits**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service Center, this amount equaled \$43,062 during the 2007 fiscal year.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the fund was \$4.1 billion. The year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, medicare eligibility, and retirement status.

**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007(continued)

**Note 11 - Post Employment Benefits** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$64,506.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**Note 12 - Employee Benefits**

**A. Compensated Absences**

Certified and Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation is paid upon termination of employment. Administrators, supervisors, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 235 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 58.75 days.

**B. Life Insurance**

The Educational Service Center provides \$50,000 life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Life Insurance Trust.

**Note 13 - Long-Term Obligations**

Changes in long-term obligations during fiscal year 2007 are as follows:

	<i>Balance</i> <i>July 1, 2006</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance</i> <i>June 30, 2007</i>	<i>Due Within</i> <i>One Year</i>
Compensated Absences	\$ 248,999	\$71,321	(\$47,320)	\$ 273,000	\$ 50,200
<i>Total Long-Term Obligations</i>	<u>\$ 248,999</u>	<u>\$71,321</u>	<u>(\$47,320)</u>	<u>\$ 273,000</u>	<u>\$ 50,200</u>

Compensated absences will be paid from the fund from which the employees' salaries are paid.



**Geauga County Educational Service Center**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007(continued)

**Note 14 - Grants**

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

**Note 15 – Interfund Transactions**

Interfund balances at June 30, 2007, consist of a receivable of \$54,044 for the general fund and a payable of \$5,047 for the Adult Basic Learning special revenue fund, \$22,993 for the Title I special revenue fund and \$26,004 for the Early Learning Incentive special revenue fund.

**Note 16 – External Investment Pool**

By Statute, the Educational Service Center serves as fiscal agent for Lake Geauga Computer Association (LGCA), a legally separate entity. The Educational Service Center pools money of LGCA with the Educational Service Center’s for investment purposes. The Educational Service Center cannot allocate its investment between the internal and external investment pools. The external investment pool is not registered with the SEC as an investment company. Condensed financial information for the investment pool follows:

*Statement of Net Assets*  
June 30, 2007

<b>Assets</b>	
Equity in Cash and Cash Equivalents	\$2,885,535
<i>Total Assets</i>	\$2,885,535
 <b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$1,364,275
External Portion	1,521,260
<i>Total Net Assets Held in Trust for Pool Participants</i>	\$2,885,535

*Statement of Changes Net Assets*  
For Fiscal Year June 30, 2007

<b>Additions</b>	
Interest	\$100,493
Capital Transactions	615,971
<b>Total Additions</b>	716,464
 <b>Deductions</b>	
Distribution to Participants	100,493
<i>Change in Net Assets</i>	615,971
<i>Net Assets Beginning of Year</i>	2,269,564
<i>Net Assets End of Year</i>	\$2,885,535

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# 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*

Geauga County Educational Service Center  
Geauga County  
470 Center Street, Building #2  
Chardon, Ohio 44024

To the Board:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Geauga County Educational Service Center, Geauga County, Ohio (the Service Center) as of and for the years ended June 30, 2008 and June 30, 2007, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated March 24, 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.

### **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 and the Board. It is not intended for anyone other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 24, 2009



**Mary Taylor, CPA**  
Auditor of State

**GEAUGA COUNTY EDUCATIONAL SERVICE CENTER**

**GEAUGA 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  
MAY 7, 2009**