



Dave Yost • Auditor of State

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

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Dave Yost • Auditor of State

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

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

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit County Educational Service Center, Summit County, (the Service Center) as of, and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated December 28, 2016.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Service Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Service Center's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Service Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Service Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2016



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Governors:

Report on Compliance for the Major Federal Program

We have audited the Summit County Educational Service Center's (the Service Center) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Service Center's major federal program for the year ended June 28 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Service Center's major federal program.

Management's Responsibility

The Service Center's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Service Center's compliance for the Service Center's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Service Center's major program. However, our audit does not provide a legal determination of the Service Center's compliance.

Opinion on the Major Federal Program

In our opinion, the Service Center complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The Service Center's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Service Center's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Service Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Receipts and Expenditures of Federal Awards Required by the Uniform Guidance

We have also audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Summit County Educational Service Center (the Service Center) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Service Center's financial statements. We issued our unmodified report thereon dated December 28, 2016. We conducted our audit to opine on the Service Center's financial statements as a whole. The accompanying schedule of receipts and expenditures of federal awards presents additional analysis required by the Uniform Guidance and is not a required part of the financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records management used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2016

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**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA Number	Grant Year	Receipts	Expenditures
Program / Cluster Title				
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	84.027	2016	\$ 1,080,471	\$ 1,191,729
Special Education Grants to States	84.027	2015	427,209	150,848
Total Special Education Cluster - Grants to States			<u>1,507,680</u>	<u>1,342,577</u>
Special Education Preschool Grants - ELD Grant	84.173	2016	43,304	49,158
Special Education Preschool Grants - ELD Grant	84.173	2015	23,911	11,581
Special Education Preschool Grants - Pre K SE	84.173	2016	115,754	126,578
Special Education Preschool Grants - Pre K SE	84.173	2015	17,602	11,881
Total Special Education Cluster - Preschool Grants			<u>200,571</u>	<u>199,198</u>
Total Special Education Cluster			<u>1,708,251</u>	<u>1,541,775</u>
Special Education - State Personnel Development	84.323	2016	26,375	29,641
Special Education - State Personnel Development	84.323	2015	20,594	6,415
Total Special Education - State Personnel Development			<u>46,969</u>	<u>36,056</u>
ARRA-Race to the Top-Early Learning Challenge	84.412	2016	7,996	17,061
ARRA-Race to the Top-Early Learning Challenge	84.412	2015	17,956	5,371
Total ARRA-Race to the Top-Early Learning Challenge			<u>25,952</u>	<u>22,432</u>
<i>Passed Through Ohio Department of Health and Human Services</i>				
Temporary Assistance for Needy Families - Start Talking Grant	93.558	2014	16,384	-
Total U.S. Department of Education			<u>1,797,556</u>	<u>1,600,263</u>
Total Federal Financial Assistance			<u>\$1,797,556</u>	<u>\$1,600,263</u>

The accompanying notes are an integral part of this schedule.

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED June 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Summit County Educational Service Center's (the Service Center's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Service Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Service Center

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Service Center has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education - Grants to States	84.027	\$ 553,576
Special Education - State Personnel Development	84.323	41,170
Special Education Preschool Grants - ELD & Pre Grant	84.173	4,844

**SUMMIT COUNTY EDUCATIONAL SERVICE CENTER
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Special Education Cluster:</u> Special Education Grants to States – CFDA #84.027 Special Education Preschool Grants – CFDA #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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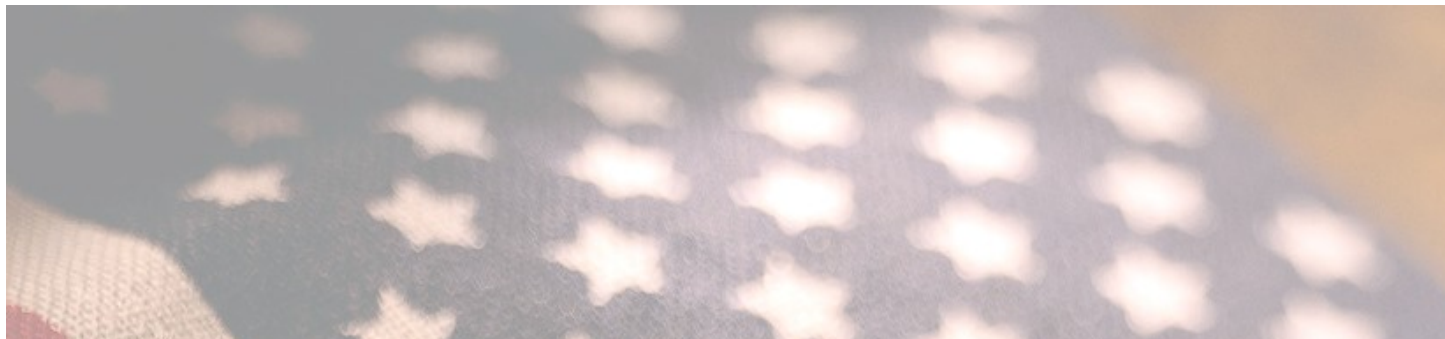
Summit County Educational Service Center

Cuyahoga Falls, Ohio

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

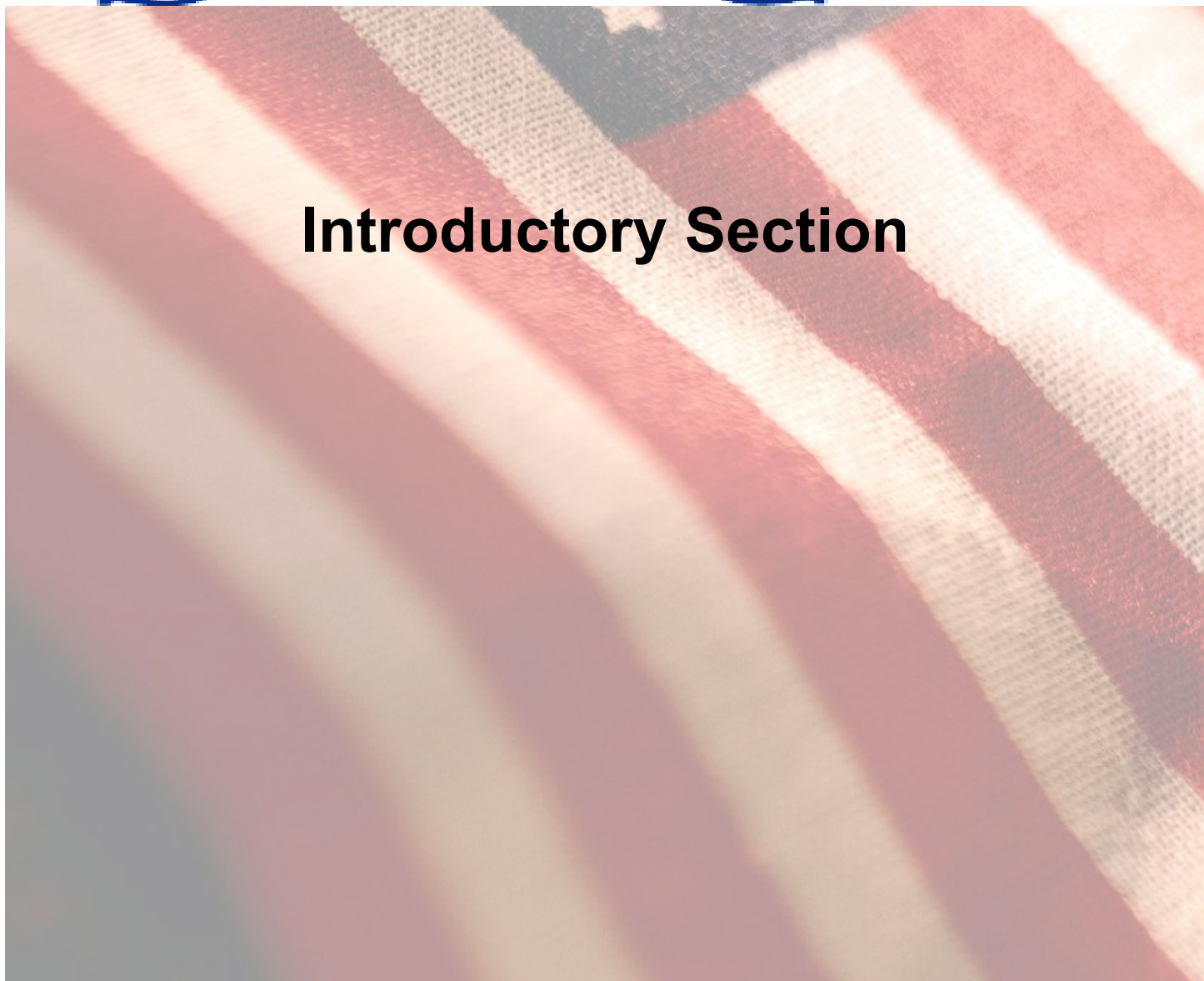
PREPARED BY:
SONDRA CLEVINGER and
CHIEF FISCAL OFFICER'S STAFF



Summit County

Educational Service Center

Introductory Section



Summit County Educational Service Center
 Comprehensive Annual Financial Report
 Fiscal Year Ended June 30, 2016
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December 28, 2016

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

The Comprehensive Annual Financial Report (CAFR) of the Summit County Educational Service Center (the “Service Center”) for the fiscal year ended June 30, 2016 is hereby submitted. This report, prepared by the Chief Fiscal Officer, includes basic financial statements, supplemental statements, and other financial and statistical information to provide a complete and full disclosure of all material financial aspects of the Service Center for the 2015-2016 fiscal year end.

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

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

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

BACKGROUND AND GENERAL INFORMATION

History

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

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

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

Districts Served

The Summit County Educational Service Center serves a student population of approximately 39,896 in fourteen districts. The districts served are:

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

With notification on or by December 31, 2015, school districts had the ability to choose an alternative Service Center. The effective date of their choice to change, or not, is the following July first. This ability to choose occurs every two years. By the beginning of fiscal year 2016 we were notified that Field Local from Portage County would become a member district. Green Local, Revere Local and Twinsburg City Schools made the choice to move to alternate Service Center's. This accounts for the decrease in overall student count.

These districts still maintain their local autonomy in smaller, more manageable, districts with enrollments ranging from 885 to over 5,066 students. Each of the districts has a locally elected board of education consisting of five members, a local superintendent and a treasurer.

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

Organization

The Board of Governors (the "Board") has five members elected by the voters of the seven local districts. The members must be residents and registered voters of one of the seven local districts. The change referred to above regarding choice of Service Center, does not impact who may legally be on the ballot for election to the Summit Service Center Board. The term of office for each member is four years. Non-partisan elections are held biannually in November with two members being elected in one cycle and three in the following cycle.

The Board sets policies and enters into contracts and may serve in a judicial capacity to resolve disputes involving the organization. The Board did not have any financial policies that had a significant impact on the current period financial statements. The Board appoints the Superintendent and the Chief Fiscal Officer. All other staff members are recommended by the administration to the Board for approval. The Board meets monthly to conduct business.

The Superintendent is the Chief Executive Officer of the Service Center and is responsible directly to the Board for all operations. The current Superintendent is Joseph Iacano. Mr. Iacano is currently working under a three year contract that ends July 31, 2018.

The Chief Fiscal Officer of the Service Center is responsible directly to the Board for all financial operations and serves as Secretary to the Board. The current Chief Fiscal Officer is Sondra Clevenger who has served in this position since July 2000. Her current contract extends to July 31, 2018.

SERVICES

Curriculum and Instruction

The Curriculum and Instruction Department plays a major role in maintaining and improving the quality of education in Summit County school districts. Staff provide research-based leadership and support for district, building and classroom-level educators in all areas related to curriculum and instruction. Professional development opportunities focus on important state and federal requirements and innovative practices in instruction and assessment. The department also hosts various support groups, such as a Curriculum Directors' Roundtable and Principals' Support Team. These groups are driven by district needs and provide opportunities for participants to share expertise and problem-solving strategies. Services during the 2015-2016 year include, but were not limited to, federal programming and Comprehensive Continuous Improvement Plan (CCIP) supports aligned to the Ohio Improvement Process (OIP), educator quality metrics such as Ohio Teacher Evaluation System (OTES), Ohio Principal Evaluation System (OPES), Electronic Teacher and Principal Evaluation System (eTPES), Student Growth Measure (SGM), and Ohio School Counselor Evaluation System (OSCES), resource and/or textbook adoption and course development, instructional strategies and classroom management, data analysis and assessment interpretation. Staff are also engaged on an ongoing basis with technology integration, next generation assessment design, English Language Learner supports, Resident Educator Mentors, standards implementation, and teacher leadership. The tools for the delivery of said services include, but were not limited to, demonstrations of innovative pedagogy and related instructional topics, on-site consultation and embedded support, and distance learning. Training for instructional support staff aligned with the expectations and standards expressed in the requirements for highly-qualified school personnel.

In addition to Curriculum and Instruction, the department specializes in providing supports for gifted students throughout the county. Levels of service were customized to meet each individual district's needs in compliance with ORC 3324. Service Center staff monitored district gifted indicators and Education Management Information System (EMIS) data, assisted with annual reporting and auditing, assessed and identified students, wrote written educational plans (WEPs) and written acceleration plans (WAPs), provided enrichment programs for students, and provided parent support.

Student Services

The Student Services department is designed to meet the unique and changing needs of our neighboring school districts in Summit, Medina and Portage counties. We are comprised of resident experts in the fields of early childhood intervention and assessment, pupil services, special education identification and service delivery, and behavioral consultation. Our department recognizes the importance of professional development, therefore we offer a wide range of in-services and trainings based on the presenting needs and challenges of the districts we serve. Workshops and trainings provided by the Student Service department during the 2015-2016 school year included: Paraprofessional training, School Psychologist Series, Speech Language Pathologist Series, Behavior Support Series, CPI, and Ethics and Legal updates.

Services provided directly to students and families included: Attendance/Truancy, Psychological Testing and Individual Education Plans, Speech & Language Therapy, Physical Therapy, Audiology and Behavioral Support.

Specialized staffing and other programs are available to school districts to assist them in providing the necessary support for special populations. These include Supervision for Special Needs Programming, Speech and Language Supervision, and Work Study Coordination. Specifically, in 2016 the work study program assisted 148 students in 8 school districts. Our staff attended 3 job fairs, made 126 employer contacts to aide in the placement of 49 students, arranged for 35 students to be placed in unpaid work experiences including the Kent State Transition Collaborative (co-chair of the collaborative), in addition to having 48 students referred to the Bureau of Vocational Rehabilitation for the Summer Youth Work Experience. Our Transition Coordinator also planned and participated with other county transition stakeholders in the Summit County Transition Expo, attended 8 district transition team meetings, assisted with 2 major grant applications and represented the Service Center at the Summit.

The Summit Service Center Preschool provides an integrated, comprehensive preschool program for all students, age three to five, with disabilities or at-risk concerns. In addition to classroom teaching, these students receive the following related services as necessary; occupational therapy, physical therapy, speech and language therapy, nursing and nutrition. Participating districts contract for this program. During the 2016 fiscal year, the preschool program was comprised of 25 classrooms that served 556 students across Summit and Portage Counties. Approximately half of those students receive cognitive, behavioral and speech assessments. The preschool program employs 28 classroom teachers, 30 classroom assistants, 3 speech/language pathologist, 3 psychologists, and 2 school nurses.

Beyond preschool, the Summit Service Center offers 2 school age programs for students with Autism Spectrum Disorder (ASD). Kids First provides services to students grades K-8 and TOPS serves students grades 9-12. In addition to 4 classroom teachers and 7 classroom assistants, these programs also offer the following services; occupational therapy, physical therapy, music therapy, adapted physical education, job coach and behavior and family support. During the 2015-2016 school the Autism program transitioned 4 students back to their home districts. We serviced 26 students from 13 districts in Summit, Portage and Stark counties.

Support/Supplementary

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

Administration

Of great benefit to the school districts, is the Service Center's cooperative and regional approach. Through this approach, the Service Center has the capacity to facilitate and manage projects in a manner that would not be otherwise possible. Some of the other vital benefits are the Service Center's ability to: 1) serve as a neutral convener; 2) provide consortium/partnerships formation and facilitation; 3) provide fiscal agency for grants, projects, and other agencies (State Support Team for Region Eight) and 4) provide legislative workshops.

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

ECONOMIC CONDITION AND OUTLOOK

The Service Center's financial condition is dependent upon the collective financial condition of the districts served, and their ability and willingness to contract for the Service Center's services. The districts served are mainly within Summit County, Ohio. Never-the-less, as state funding for Educational Service Center's has declined, the Summit Educational Service Center is increasingly dependent on funds derived from providing services to non-traditional partners. This includes schools outside of Summit County.

Legislation has passed regarding management of regional services offered by the Ohio Department of Education. House Bill 115 established the Educational Regional Service System (ERSS). This system requires a coordinated, integrated and aligned system to support state and school district efforts to improve school effectiveness and student achievement. The system consists of 16 regions. Each region has a fiscal agent. The selection of a fiscal agent was done through a RFP (request for proposal) process. Selected Fiscal Agents in each region have the responsibility of allocating resources to provide regional services and also assuring that the state-sponsored regional improvement initiatives are deployed according to Ohio Department of Education guidance. The Summit County Educational Service Center is the fiscal agent for State Support Team Region 8 which includes Portage, Medina and Summit Counties.

Summit County has been historically associated with the rubber industry. Although the rubber industry is still extremely important to the economy in Summit County, the Goodyear Tire and Rubber Company has been replaced as the largest employer in Summit County. It should not come as a surprise that the largest employer in our county is associated with the healthcare industry. Summa Health Systems is now the largest employer in Summit County with 11,000 employees. Cleveland Clinic - Akron General Medical Center is in second place with 3,953 employees, finally followed by Akron Children's Hospital with 3,380 employees. The Goodyear Tire and Rubber Company is now in fourth place with 3,000 employees. The County of Summit is fifth with a total number of 2,969 employees. Signet Jewelers Inc. is the sixth largest employer with 2,900 employees, The Akron Public School District is seventh place with 2,780 employees. Rounding out the top ten employers are the University of Akron, First Energy Corporation and Time Warner Cable NEO with 2,622, 2,300, and 2,095 employees respectively.

Also, a recent study ranked Ohio number one in plastics and polymers. The greater Akron area is home to the largest number of polymer companies in Ohio.

Recent history shows Summit County has fared favorably in unemployment rates compared to National and State rates. The county unemployment rate in 2015 was at 4.9 percent. This percentage is down from 2014 rate that was 5.8 percent. As a comparison, the 2014 state rate was 5.5 percent and the 2015 rate for the state was 4.9 percent. 2015 the State rate of unemployment was the same rate as the County rate of unemployment. The workforce is transitioning from manufacturing to service industries. In Akron, the largest segment of employment has shifted from manufacturing followed by trade to medical, information and service employers.

FINANCIAL INFORMATION

Accounting

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

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

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

As determined by criteria established by GASB Statement No. 34, the Service Center does not report any activities that qualify as proprietary or business type activities. As part of this new reporting model, management is also responsible for preparing a discussion and analysis of the Service Center. This discussion follows the Independent Auditor's Report, providing an assessment of the Service Center's finances for fiscal year 2016 and the outlook for the future. Because that discussion focuses on major funds, the financial highlights provided in this letter focus on certain non-major funds of the Service Center.

Internal Controls

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

Single Audit Act

As a recipient of federal financial assistance, the Service Center is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the Service Center and annual reviews by the Service Center's independent auditors. Based upon the level of federal spending for fiscal year 2016, a single audit was required.

Budgetary Controls

The Educational Service Center's Management does budget for resources estimated to be received during the fiscal year. The Educational Service Center also prepares an annual spending plan to control and monitor the expenditure of the Service Center's resources.

CASH MANAGEMENT

The Service Center's approach to the cash management program has continued to be consistent during 2015-2016 with the use of overnight sweep account. Due to very poor interest rates, the Service Center has not invested in certificates of deposit. The total amount of interest earned was \$1,860. This figure is still at an all-time low.

Protection of the Service Center's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all uninsured public deposits. As required under Ohio law, pooled securities have been pledged in an amount equal to 105 percent of the total deposits, to secure the repayment of all uninsured public monies deposited in a financial institution. A detailed description of the Service Center's investment functions is described in Note 3 to the basic financial statements.

RISK MANAGEMENT

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

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

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

PENSION PLANS

The statewide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System (STRS) covers all Service Center employees. The Service Center's employer contributions to both systems are based on a percentage of employees' salaries. State law requires the Service Center to pay the employer share as determined by each retirement system, currently 14 percent. The Service Center's required contributions for fiscal year 2016 were \$1,055,304 and \$460,594 to STRS and SERS, respectively. Beginning in fiscal year 2016, employee portion of STRS increased to 13 percent. Fiscal year 2017 is the last planned increase for employee contribution. In fiscal year 2017, employee contribution for STRS will be 14 percent, equal to that of the employer. SERS has not made any changes and maintains a 10 percent employee contribution.

OTHER INFORMATION

Independent Audit

Provisions of State statute require the Service Center's financial statements to be subjected to bi-annual examination, annually if subject to the Federal Single Audit Act Amendments of 1996 and related Uniform Guidance, by the Auditor of State. The Auditor of the State of Ohio performed the audit for the period ended June 30, 2016. The auditor's unqualified opinion rendered on the Service Center's basic financial statements, and their report on the combining statements, is included in the financial section of this CAFR.

GFOA Certificate of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Service Center for its fiscal year ended June 30, 2015 CAFR. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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

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

Acknowledgments

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

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Sondra Clevenger".

Sondra Clevenger
Chief Fiscal Officer

Summit County Educational Service Center
Public Officials Roster
Fiscal Year Ended June 30, 2016

Board of Governors

Mr. Timothy Gallagher	President
Mrs. Patricia Weber	Vice President
Mr. William Roemer	Member
Mrs. Ashley Carr	Member
Mrs. Samuel Reynolds	Member

Chief Fiscal Officer

Mrs. Sondra Clevenger

Administration

Mr. Joseph Iacano	Superintendent
Mrs. N'ecole Ast	Director of Pupil Personnel Services
Mr. Robert Wolf	Director of Human Resources
Ms. Ann Phillips	Director of Curriculum and Instruction
Mr. David Jones	Director of Business

SUMMIT EDUCATIONAL SERVICE CENTER

BOARD OF GOVERNORS

2016

Superintendent – Joseph Iacano
 Executive Assist. – Patti Maloney
 Leadership Consultant – Steve Farnsworth
 Federal Grant Consultant – Robert Tromp
 Departments A – E below
 & Educational Programs (as listed)

Treasurer – Sondra Clevenger
 Asst. to Treasurer – Kathy Witwer
 Fiscal Assistant – Peggy Miller
 Fiscal/EMIS Secretary – Emily Roberts

A - STUDENT SERVICES
 Director: Kristin Fazio
 Assoc. Directors: Kimberly Meeker
 Kristen Nowak
 Secretary - Brenda Palinkas
 Secretary - Brandie Kresowaty
 School Psychologist (8)
 Work Study Coordinator (1)
 Attendance Coordinator (1)
 Speech/Lang. Pathologist (2)
 Educational Audiologist (2)
 Physical Therapist (1)
 Behavior Consultant/Family Liaison (1)
 Preschool Teachers, Assistants,
 Supporting Staff (70+)

B – HUMAN RESOURCES
 Director: Bob Wolf
 HR Specialist – Tracie Collins
 Secretary – Barb Grimes
 Receptionist – Melissa Cairns

C – TECHNOLOGY AND BUSINESS
 Director: David Jones
 IT Assist. – Tom Jansen
 Secretary – Lori Johnson
 Maintenance – Frank Daetwyler
 Kevin Neely

D - CURRICULUM AND INSTRUCTION
 Director: Dr. Bryan Drost
 Secretary – Sally Gibson
 Secretary – Paula Riffle
 Subject Area Consultants (4)
 Gifted Consultants (3)

E - PROFESSIONAL DEVELOPMENT
 Director: N’ecole Ast
 Secretary – Brenda Palinkas

SESC EDUCATIONAL PROGRAMS	
<p>KIDS FIRST Program Serving k-8 students diagnosed with Autism Spectrum Disorders Program Director: Joe Rohr Secretary- Tammy Ackerman Teachers, Assistants, Supporting Staff (7)</p>	<p>TOPS Program Serving high school students diagnosed with Autism Spectrum Disorders Program Director: Joe Rohr Secretary – Tammy Ackerman Teachers, Assistants, Supporting Staff (3)</p>
<p>Preschool classrooms in various districts</p>	
<p>Opportunity School Program (2 staff members)</p>	



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

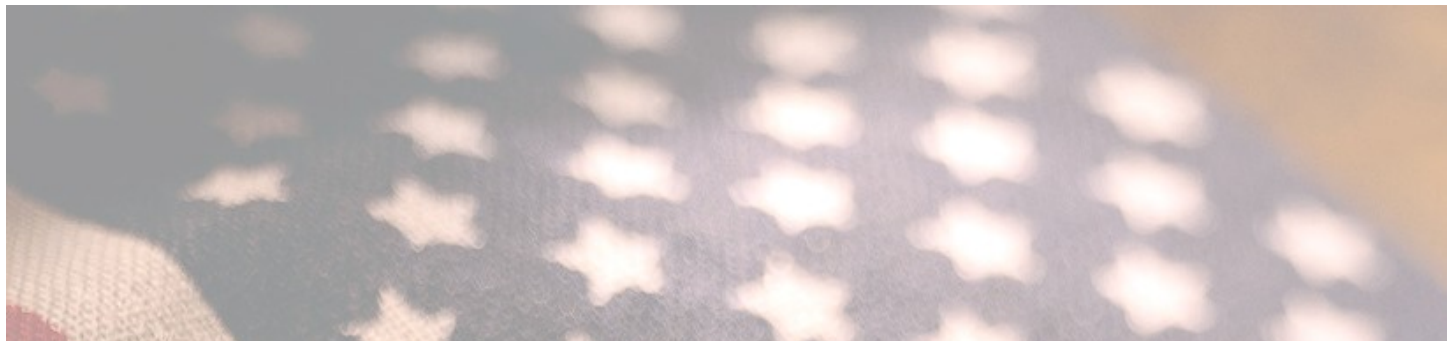
Presented to

**Summit County
Educational Service Center
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

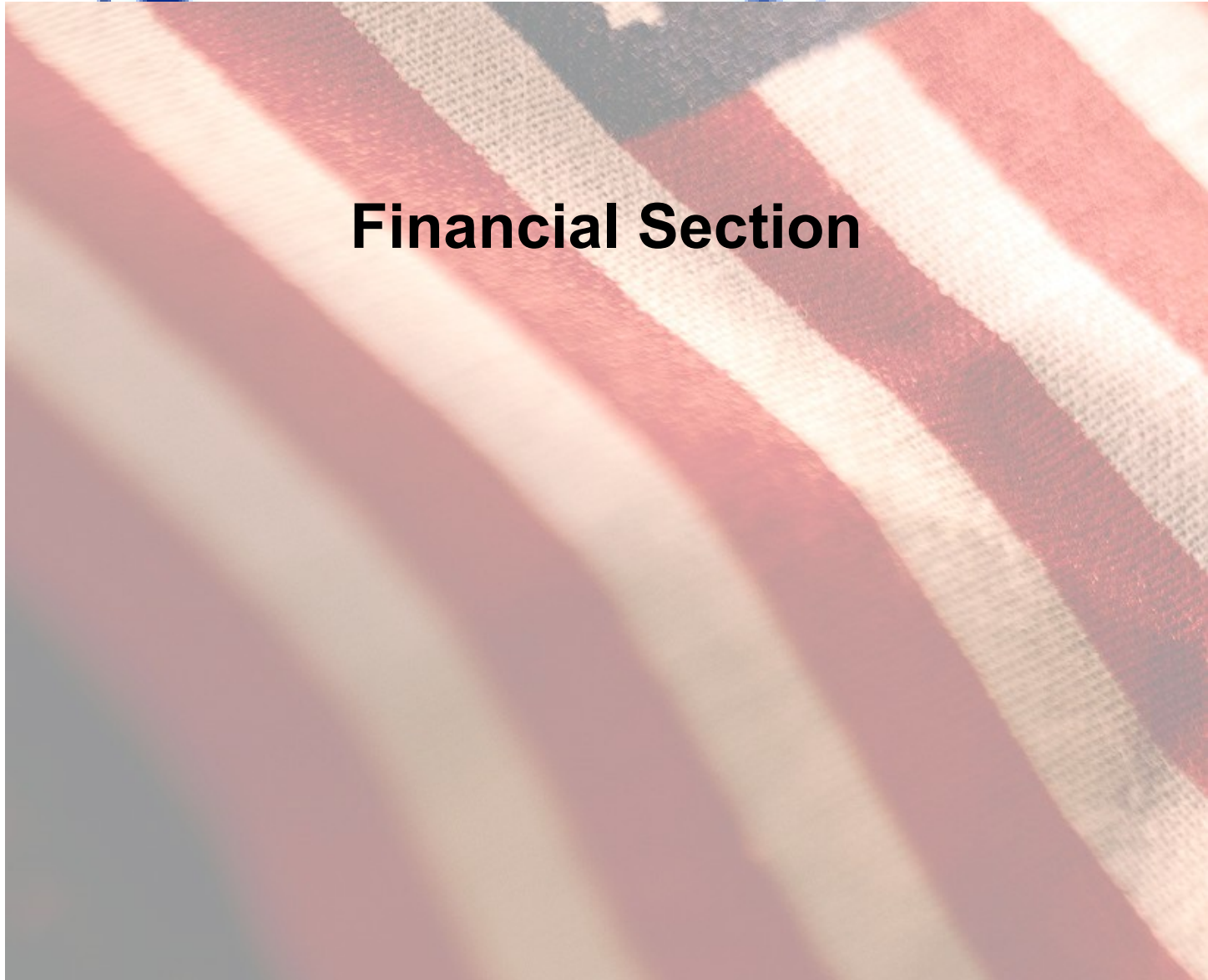
June 30, 2015

Executive Director/CEO



Summit County

Educational Service Center



Financial Section



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Governors:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit County Educational Service Center, Summit County, Ohio (the Service Center), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Service Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Service Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Summit County Educational Service Center, Summit County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Service Center's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not a required part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2016

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Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The discussion and analysis of the Summit County Educational Service Center's (the "Service Center") financial performance provides an overall review of the Service Center's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Service Center's performance as a whole; readers should also review the transmittal letter, the notes to the basic financial statements and financial statements to enhance their understanding of the Service Center's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- Net position increased \$608,954, which represents a 3% increase from 2015.
- During the fiscal year, outstanding capital leases decreased from \$743,211 to \$662,264 due to principal payments made by the Service Center.

Using this Annual Report

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

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

Reporting the Service Center as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the Service Center to provide programs and activities, the view of the Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

These two statements report the Service Center's net position and changes in net position. This change in net position is important because it tells the reader that, for the Service Center as a whole, the financial position of the Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the mandated educational programs, as well as locally requested programs.

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the Service Center's programs and services, including instruction, support services, extracurricular activities, and interest and fiscal charges.

Reporting the Service Center's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 16. Fund financial reports provide detailed information about the Service Center's major funds. The Service Center uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the Service Center's most significant funds. The Service Center's major governmental funds are the general fund and educational regional service system fund.

Governmental Funds

Most of the Service Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Service Center's 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the Service Center's Fiduciary Responsibilities

The Service Center is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The Service Center also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. The Service Center's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 21. These activities are excluded from the Service Center's other financial statements because the assets cannot be utilized by the Service Center to finance its operations.

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

The Service Center as a Whole

Recall that the Statement of Net Position provides the perspective of the Service Center as a whole. Table 1 provides a summary of the Service Center's net position for 2016 compared to 2015:

Table 1
Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and Other Assets	\$ 8,135,938	\$ 7,885,209
Capital Assets	1,793,951	1,832,937
<i>Total Assets</i>	<u>9,929,889</u>	<u>9,718,146</u>
Deferred Outflows of Resources		
Pension	<u>3,248,225</u>	<u>1,777,402</u>
Liabilities		
Other Liabilities	1,720,735	1,923,622
Long-Term Liabilities		
Due Within One Year	112,737	134,195
Due in More Than One Year		
Net Pension Liability	26,673,903	23,488,412
Other Amounts	676,780	735,964
<i>Total Liabilities</i>	<u>29,184,155</u>	<u>26,282,193</u>
Deferred Inflows of Resources		
Pension	<u>2,411,542</u>	<u>4,239,892</u>
Net Position		
Net Investment in Capital Assets	1,131,687	1,089,726
Restricted	807,698	185,363
Unrestricted	<u>(20,356,968)</u>	<u>(20,301,626)</u>
<i>Total Net Position</i>	<u>\$ (18,417,583)</u>	<u>\$ (19,026,537)</u>

During 2015, the Service Center adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Service Center's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Service Center's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Service Center is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Service Center's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

At year end, capital assets represented 18 percent of total assets. Capital assets include, land, buildings and improvements, furniture and equipment and vehicles. The net investment in capital assets was \$1,131,687 at June 30, 2016. These capital assets are used to provide services to students and are not available for future spending. Although the Service Center's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the Service Center's net position, \$807,698 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$20,356,968, which is primarily caused by the implementation of GASB 68.

Current and other assets increased \$250,729, or 3% as compared to fiscal year 2015. The primary reason was an increase in accounts receivable for tuition and fees.

Long term liabilities increased \$3,104,849 or 13% as compared to fiscal year 2015. This increase can be attributed to an increase in net pension liability. The \$1,828,350 decrease in deferred inflows of resources and \$1,470,823 increase in deferred outflows of resources were primarily caused by changes related to net pension liability during 2016.

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Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

Table 2
Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 11,733,040	\$ 11,310,449
Operating Grants	2,736,728	1,914,262
<i>Total Program Revenues</i>	<u>14,469,768</u>	<u>13,224,711</u>
<i>General Revenues:</i>		
Grants and Entitlements Not Restricted	821,960	1,719,015
Other	34,693	49,663
<i>Total General Revenues</i>	<u>856,653</u>	<u>1,768,678</u>
<i>Total Revenues</i>	<u>15,326,421</u>	<u>14,993,389</u>
Program Expenses		
<i>Instruction:</i>		
Regular	1,555,550	1,184,980
Special	4,177,389	4,766,970
Vocational	82,482	91,452
<i>Support Services:</i>		
Pupils	3,481,946	3,597,195
Instructional Staff	3,210,954	3,412,131
Board of Governors	45,278	60,798
Administration	1,139,865	1,002,026
Fiscal	328,460	320,142
Business	161,857	269,610
Operation and Maintenance of Plant	387,830	499,475
Central	79,335	45,987
Extracurricular Activities	37,536	40,719
<i>Debt Service:</i>		
Interest and Fiscal Charges	28,985	32,024
<i>Total Expenses</i>	<u>14,717,467</u>	<u>15,323,509</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 608,954</u>	<u>\$ (330,120)</u>
<i>Net Position at Beginning of Year</i>	<u>(19,026,537)</u>	<u>(18,696,417)</u>
<i>Net Position at End of Year</i>	<u>\$ (18,417,583)</u>	<u>\$ (19,026,537)</u>

The \$822,266, or 43% increase in operating grants was primarily caused by an increase in grants receivable for the IDEA grant. The \$897,055, or 52% decrease in grants and entitlements not restricted was caused by a decrease in foundation receipts.

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Fluctuations among individual program revenues and expenses are a result of a change in how certain consultant services are provided.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by charges for services and restricted grants and entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2016	2015	2016	2015
Instruction:				
Regular	\$ 1,555,550	\$ 1,184,980	\$ 649,068	\$ 561,355
Special	4,177,389	4,766,970	(14,293)	294,005
Vocational	82,482	91,452	23,491	40,191
Support Services:				
Pupils	3,481,946	3,597,195	482,816	587,687
Instructional Staff	3,210,954	3,412,131	(985,533)	124,726
Board of Governors	45,278	60,798	3,993	28,304
Administration	1,139,865	1,002,026	276,477	261,803
Fiscal	328,460	320,142	(96,284)	37,813
Business	161,857	269,610	55,881	134,072
Operation and Maintenance of Plant	387,830	499,475	(205,026)	(39,915)
Pupil Transportation	0	0	0	(22,476)
Central	79,335	45,987	16,802	19,232
Operation of Non-Instructional Services:				
Community Services	0	0	(440)	(121)
Extracurricular Activities	37,536	40,719	11,762	17,622
Debt Service:				
Interest and Fiscal Charges	28,985	32,024	28,985	32,024
<i>Total Expenses</i>	\$ 14,717,467	\$ 15,323,509	\$ 247,699	\$ 2,076,322

For all governmental activities, program receipts support is 98%. The primary support of the Service Center is contracted fees and services provided to member districts; however, it is the intention of the Board of Governors not to overcharge the districts served and to utilize the general revenues to offset the cost of programs to member districts.

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Governmental Funds

Information about the Service Center's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,833,131 and expenditures of \$15,115,719 for fiscal year. The net change in fund balances for the fiscal year was a decrease of \$282,588 for all governmental funds with the most significant decrease in the educational regional service system fund.

The general fund's net change in fund balance for fiscal year 2016 was a decrease of \$26,621.

The educational regional service system fund's net change in fund balance for fiscal year 2016 was a decrease of \$239,952. This was primarily caused by a decrease in grant receipts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the Service Center had \$1,793,951 invested in capital assets. Table 4 shows fiscal year 2016 balances compared with 2015.

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

	Governmental Activities	
	2016	2015
Land	\$ 207,778	\$ 207,778
Furniture and Equipment	62,771	61,121
Buildings and Improvements	1,507,551	1,546,206
Vehicles	15,851	17,832
<i>Totals</i>	\$ 1,793,951	\$ 1,832,937

The \$38,986 decrease in capital assets was attributable to depreciation exceeding current year additional purchases. See Note 5 for more information about the capital assets of the Service Center.

Debt

At year end, the Service Center had only capitalized leases as outstanding debt obligations. The lease obligations outstanding at year end totaled \$662,264. The lease balance consisted of a lease-purchase agreement for HVAC heating and cooling project. See Note 10 to the basic financial statements for detail on the Service Center's long-term obligation.

	Governmental Activities	
	2016	2015
Lease Obligations	\$ 662,264	\$ 743,211

Summit County Educational Service Center
Summit County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Current Issues

House Bill 115 established the Educational Regional Service System (ERSS). This system requires a coordinated, integrated and aligned system to support state and school district efforts to improve school effectiveness and student achievement. The system consists of sixteen regions. Each region has a fiscal agent. The selection of a fiscal agent was through a RFP (request for proposal) process. Fiscal Agents in each region have the responsibility of allocating resources to provide regional services and also assuring that the state-sponsored regional improvement initiatives are deployed according to Ohio Department of Education guidance. The Summit County Educational Service Center is the Region 8 fiscal agent. The Summit County Educational Service Center will work hard to ensure our districts are involved and benefit from Region 8 services.

While the Regional Service System has slightly changed the landscape of the Summit County Educational Service Center, we are still creating new services that assist our community and school districts. The organization sponsored a community conversion school. This school is located in Springfield Township, Ohio and serves children in grades kindergarten through fourth grade. Fiscal year 2010 was its first year of operation, fiscal year 2016 was the seventh. We also continue an Autism Family School. This School, which began in 2010, is to provide educational services for an autism center located in Copley Township. The school is named Kids First. This school opened in Fall of 2010 and is also currently in year six of operation. Demand for Kids First by school districts, seeking to serve autistic students, has continued to grow. While the goal of the school is to return students to their home school, it became necessary to open a school that created continued support for students who were not ready to return to their home school. This school is located in the City of Tallmadge. It serves middle and high school aged students with autism.

Yet another change in legislation allows school districts to choose the Educational Service Center they wish to align with. This change can be made every two years. Fiscal year 2016 brought the loss of three school districts to the Educational Service Center. The three districts who left were Green Local of Summit County, Revere Local and Twinsburg City School districts. Field Local from Portage County decided to join the Summit Educational Service Center. Current member districts need to inform their current Educational Service Center of their intention to make a change. By June 30, 2017 the district must inform the Ohio Department of Education which Educational Service Center they have chosen. This freedom to choose has only increased the organization's efforts to improve. We feel confident the Summit Educational Service Center will become better in the long run.

Contacting the Service Center's Financial Management

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

Summit County Educational Service Center
Summit County, Ohio
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 4,535,775
Receivables:	
Accounts	296,718
Intergovernmental	3,303,445
Nondepreciable Capital Assets	207,778
Depreciable Capital Assets (Net)	1,586,173
<i>Total Assets</i>	9,929,889
 Deferred Outflows of Resources	
Pension	3,248,225
 Liabilities	
Accounts Payable	23,862
Accrued Wages and Benefits	1,278,622
Intergovernmental Payable	233,979
Accrued Vacation Leave Payable	128,183
Matured Compensated Absences Payable	56,089
Long Term Liabilities:	
Due Within One Year	112,737
Due In More Than One Year	
Net Pension Liability	26,673,903
Other Amounts Due In More Than One Year	676,780
<i>Total Liabilities</i>	29,184,155
 Deferred Inflows of Resources	
Pension	2,411,542
 Net Position	
Net Investment in Capital Assets	1,131,687
Restricted For:	
Educational Regional Service System	795,147
Federally Funded Programs	9,540
Local Grants	3,011
Unrestricted	(20,356,968)
<i>Total Net Position</i>	\$ (18,417,583)

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Summit County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants, and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 1,555,550	\$ 905,674	\$ 808	\$ (649,068)
Special	4,177,389	3,969,388	222,294	14,293
Vocational	82,482	58,991	0	(23,491)
Support Services:				
Pupils	3,481,946	2,884,574	114,556	(482,816)
Instructional Staff	3,210,954	2,172,161	2,024,326	985,533
Board of Governors	45,278	30,182	11,103	(3,993)
Administration	1,139,865	863,388	0	(276,477)
Fiscal	328,460	267,763	156,981	96,284
Business	161,857	105,976	0	(55,881)
Operation and Maintenance of Plant	387,830	393,085	199,771	205,026
Central	79,335	55,644	6,889	(16,802)
Operation of Non-Instructional Services:				
Community Services	0	440	0	440
Extracurricular Activities	37,536	25,774	0	(11,762)
Debt Service:				
Interest and Fiscal Charges	28,985	0	0	(28,985)
Total	<u>\$ 14,717,467</u>	<u>\$ 11,733,040</u>	<u>\$ 2,736,728</u>	<u>(247,699)</u>

General Revenues

Grants and Entitlements Not Restricted to Specific Programs	821,960
Investment Earnings	1,860
Miscellaneous	32,833
Total General Revenues	<u>856,653</u>
<i>Change in Net Position</i>	608,954
<i>Net Position Beginning of Year</i>	(19,026,537)
<i>Net Position End of Year</i>	<u>\$ (18,417,583)</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Summit County, Ohio
Balance Sheet
Governmental Funds
June 30, 2016

	General	Educational Regional Service System	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 4,524,721	\$ 0	\$ 11,054	\$ 4,535,775
Receivables:				
Accounts	296,718	0	0	296,718
Interfund	186,667	0	0	186,667
Intergovernmental	2,107,179	1,154,177	42,089	3,303,445
<i>Total Assets</i>	<u>\$ 7,115,285</u>	<u>\$ 1,154,177</u>	<u>\$ 53,143</u>	<u>\$ 8,322,605</u>
Liabilities				
Accounts Payable	\$ 14,487	\$ 9,375	\$ 0	\$ 23,862
Accrued Wages and Benefits	1,117,338	136,523	24,761	1,278,622
Intergovernmental Payable	202,918	27,236	3,825	233,979
Matured Compensated Absences Payable	56,089	0	0	56,089
Interfund Payable	0	166,541	20,126	186,667
<i>Total Liabilities</i>	<u>1,390,832</u>	<u>339,675</u>	<u>48,712</u>	<u>1,779,219</u>
Deferred Inflows of Resources				
Unavailable Revenue	2,179,772	956,581	15,600	3,151,953
Fund Balances				
Restricted	0	0	11,054	11,054
Assigned	146,757	0	0	146,757
Unassigned	3,397,924	(142,079)	(22,223)	3,233,622
<i>Total Fund Balances</i>	<u>3,544,681</u>	<u>(142,079)</u>	<u>(11,169)</u>	<u>3,391,433</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 7,115,285</u>	<u>\$ 1,154,177</u>	<u>\$ 53,143</u>	<u>\$ 8,322,605</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Summit County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2016

Total Governmental Fund Balances		\$ 3,391,433
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,793,951
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 972,181	
Excess Costs	2,037,606	
Tuition and Fees	86,425	
Charges for Services	55,741	3,151,953
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds.		
Deferred Outflows - Pension	3,248,225	
Deferred Inflows - Pension	(2,411,542)	
Net Pension Liability	(26,673,903)	(25,837,220)
Long-term liabilities, including capital lease obligations payable, are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligation	(662,264)	
Vacations Payable	(128,183)	
Compensated Absences	(127,253)	(917,700)
<i>Net Position of Governmental Activities</i>		\$ (18,417,583)

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Summit County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General	Educational Regional Service System	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental	\$ 844,339	\$ 1,508,474	\$ 336,301	\$ 2,689,114
Investment Income	1,860	0	0	1,860
Tuition and Fees	4,423,964	0	0	4,423,964
Charges for Services	7,680,427	0	0	7,680,427
Contributions and Donations	808	0	0	808
Miscellaneous	32,833	4,125	0	36,958
<i>Total Revenues</i>	<u>12,984,231</u>	<u>1,512,599</u>	<u>336,301</u>	<u>14,833,131</u>
Expenditures				
Current:				
Instruction:				
Regular	1,349,624	0	17,415	1,367,039
Special	4,080,324	0	222,265	4,302,589
Vocational	90,489	0	0	90,489
Support Services:				
Pupils	3,494,934	7,199	104,250	3,606,383
Instructional Staff	1,771,628	1,496,954	8,386	3,276,968
Board of Governors	45,407	0	0	45,407
Administration	1,129,117	7,583	0	1,136,700
Fiscal	314,673	99,667	0	414,340
Business	162,219	0	0	162,219
Operation and Maintenance of Plant	343,513	136,443	0	479,956
Central	79,891	4,705	0	84,596
Extracurricular Activities	39,101	0	0	39,101
Debt Service:				
Principal Retirement	80,947	0	0	80,947
Interest and Fiscal Charges	28,985	0	0	28,985
<i>Total Expenditures</i>	<u>13,010,852</u>	<u>1,752,551</u>	<u>352,316</u>	<u>15,115,719</u>
<i>Net Change in Fund Balance</i>	(26,621)	(239,952)	(16,015)	(282,588)
<i>Fund Balance (Deficit) Beginning of Year</i>	<u>3,571,302</u>	<u>97,873</u>	<u>4,846</u>	<u>3,674,021</u>
<i>Fund Balance (Deficit) End of Year</i>	<u>\$ 3,544,681</u>	<u>\$ (142,079)</u>	<u>\$ (11,169)</u>	<u>\$ 3,391,433</u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Summit County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Net Change in Fund Balances - Total Governmental Funds	\$	(282,588)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 19,699	
Current Year Depreciation	<u>(58,553)</u>	(38,854)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(132)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	856,821	
Tuition and Fees	86,425	
Excess Costs	(259,338)	
Charges for Services	<u>51,672</u>	735,580
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		80,947
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		1,515,898
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(1,402,216)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(305)	
Vacations Payable	<u>624</u>	<u>319</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>608,954</u></u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center

Summit County, Ohio

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Investments	\$ 106,788	\$ 120,054
Intergovernmental Receivable	<u>0</u>	<u>30,482</u>
<i>Total Assets</i>	<u>106,788</u>	<u>\$ 150,536</u>
Liabilities		
Undistributed Monies	<u>0</u>	<u>\$ 150,536</u>
Net Position		
Held in Trust for Scholarships	<u>\$ 106,788</u>	

See accompanying notes to the basic financial statements.

Summit County Educational Service Center
Summit County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2016

	<u>Private Purpose Trust</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>\$ 375</u>
<i>Change in Net Position</i>	(375)
<i>Net Position Beginning of Year</i>	<u>\$ 107,163</u>
<i>Net Position End of Year</i>	<u><u>\$ 106,788</u></u>

See accompanying notes to the basic financial statements.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 1 - DESCRIPTION OF THE SERVICE CENTER

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

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

Reporting Entity

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

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

During the fiscal year the Service Center is associated with the Metropolitan Regional Service Council (MRSC) also known as Northeast Ohio Network for Educational Technology (NEOnet), which is defined as a jointly governed organization. Representatives from each of the governments that create the organization govern jointly, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding this organization is presented in Note 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles.

The most significant of the Service Center's accounting policies are described below.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities columns has been removed from these statements.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

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

Educational Regional Service System Special Revenue Fund This fund is used to account for grant revenues used to support state and regional education initiatives and efforts to improve school effectiveness and student achievement. The state system consists of sixteen regions. The Service Center is the fiscal agent for the State Support Team Region 8 which includes Portage, Medina and Summit Counties.

The other governmental funds of the Service Center account for grants and other resources to which the Service Center is bound to observe constraints imposed upon the use of the resources.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Service Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Service Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Service Center's agency funds account for employee benefits and programs managed by school districts served by the Service Center. The private purpose trust fund accounts for assets held by the Service Center in a trustee capacity.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets, deferred outflows, liabilities and deferred inflows associated with the operation of the Service Center are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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, deferred outflows, current liabilities, and deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

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

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Private purpose trust funds are reported using the economic resources measurement focus and are excluded from the government-wide financial statements.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Service Center, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 8.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Service Center, deferred inflows of resources include pension and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the Service Center, unavailable revenue may include intergovernmental grants and tuition and fees and charges for services revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 8).

E. Cash and Investments

To improve cash management, all cash received by the Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through Service Center records. Each fund's interest in the pool is presented as "equity in pooled cash and investments."

During the fiscal year, investments were limited to overnight repurchase agreements. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements are reported at cost. Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to certain trust funds, unless the Board specifically allows the interest to be recorded in other funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Service Center are presented on the financial statements as "equity in pooled cash and investments." Investments with an initial maturity of more than three months that are not purchased from the pool are reported as "investments." The Service Center did not have any of these types of investments at year-end.

F. Capital Assets

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

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

Summit County Educational Service Center
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

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

<u>Description</u>	<u>Estimated Lives</u>
<i>Building and improvements</i>	<i>50 years</i>
<i>Furniture and equipment</i>	<i>3-20 years</i>
<i>Vehicles</i>	<i>3-5 years</i>

G. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Service Center's termination policy.

H. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term capital leases are recognized as a liability on the governmental fund financial statements when due.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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J. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Service Center or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

K. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Service Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Service Center Board of Governors. Those committed amounts cannot be used for any other purpose unless the Service Center Board of Governors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Service Center Board of Governors. The Board of Governors has by resolution authorized the treasurer to assign fund balance.

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Notes to the Basic Financial Statements

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Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses for governmental funds. All transfers between governmental funds have been eliminated within the governmental activities column of the statement of net position. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements.

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 position.

M. 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.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in the nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Governors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

O. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2016, the Service Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes did not affect the Service Center's fiscal year 2016 note disclosures.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Service Center.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Service Center.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Service Center.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the Service Center's deposits may be 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 Chief Fiscal Officer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following obligations provided they mature or are redeemable within five years from the date of settlement:

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1. United States Treasury Bills, Notes, Bonds, or any other obligations or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
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% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period of 180 days in an amount not to exceed 40% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 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 only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year end, the carrying amount of the Service Center's deposits was \$(12,383). Based on criteria described in GASB 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2016, 100% of the bank balance of \$58,112 was covered by FDIC.

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

Custodial Credit Risk For an investment, custodial risk is that risk that, in the event of the failure of the counterparty, the Service Center will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Service Center's investment in a repurchase agreement is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the Service Center. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal balance of the securities subject to a repurchase agreement by 2%. The Service Center has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk The Service Center's only investment during fiscal year 2016 was in an overnight repurchase account, with a fiscal year ending balance of \$4,775,000. The Service Center's investments in the federal agency securities that underlie the Service Center's repurchase agreement were rated Aaa by Moody's Investor Services.

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

Interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$1,860, which includes \$101 assigned from other Service Center funds.

NOTE 4 – RECEIVABLES

Receivables at year-end consisted of intergovernmental (grants and entitlements and charges for services provided to other governments), accounts and interfund. All receivables are considered collectible in full due to the stable condition of state programs, and the current year guarantee of federal funds.

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Notes to the Basic Financial Statements

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NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 207,778	\$ 0	\$ 0	\$ 207,778
<i>Capital Assets, Being Depreciated</i>				
Furniture and equipment	852,736	19,699	(243,101)	629,334
Building and improvements	1,854,192	0	0	1,854,192
Vehicles	32,982	0	(13,169)	19,813
<i>Total Capital Assets, Being Depreciated</i>	<u>2,739,910</u>	<u>19,699</u>	<u>(256,270)</u>	<u>2,503,339</u>
<i>Accumulated Depreciation</i>				
Furniture and equipment	(791,615)	(17,917)	242,969	(566,563)
Building and improvements	(307,986)	(38,655)	0	(346,641)
Vehicles	(15,150)	(1,981)	13,169	(3,962)
<i>Total Accumulated Depreciated</i>	<u>(1,114,751)</u>	<u>(58,553)</u>	<u>256,138</u>	<u>(917,166)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>1,625,159</u>	<u>(38,854)</u>	<u>(132)</u>	<u>1,586,173</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 1,832,937</u>	<u>\$ (38,854)</u>	<u>\$ (132)</u>	<u>\$ 1,793,951</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$ 13,828
Support Services:	
Pupils	250
Instructional Staff	3,806
Administration	18,296
Fiscal	1,246
Business	1,981
Operation and Maintenance of Plant	18,348
Extracurricular Activities	798
Total Depreciation	<u>\$ 58,553</u>

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Notes to the Basic Financial Statements
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NOTE 6 - INTERFUND TRANSACTIONS

Interfund balances consisted of the following at June 30, 2016, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
General fund	\$ 186,667	\$ 0
Educational Regional Service System	0	166,541
Other governmental funds	0	20,126
	\$ 186,667	\$ 186,667

As of June 30, 2016, the educational regional service system and other non-major governmental funds reported unencumbered negative cash balances. The amount reported in other governmental funds was made up of \$9,303 in the public school preschool grant fund and \$10,823 in the EHA preschool grant fund. As a result, interfund loans were made by the general fund to eliminate the negative balances. All interfund loans will be repaid in fiscal year 2017 with monies to be received from reimbursable expenditures incurred during fiscal year 2016.

NOTE 7 - RISK MANAGEMENT

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

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

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

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NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Service Center’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Service Center’s obligation for this liability to annually required payments. The Service Center cannot control benefit terms or the manner in which pensions are financed; however, the Service Center does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

Plan Description – Service Center non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Service Center is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The Service Center’s contractually required contribution to SERS was \$460,594 for fiscal year 2016. Of this amount, \$35,356 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – Service Center licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

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New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The Service Center was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The Service Center's contractually required contribution to STRS was \$1,055,304 for fiscal year 2016. Of this amount, \$128,426 is reported as an intergovernmental payable.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Service Center's proportion of the net pension liability was based on the Service Center's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 20,532,802	\$ 6,141,101	\$ 26,673,903
Proportion of the Net Pension Liability	0.07429441%	0.10762350%	
Pension Expense	\$ 834,897	\$ 567,319	\$ 1,402,216

At June 30, 2016, the Service Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 941,580	\$ 93,812	\$ 1,035,392
Changes in proportion and differences between Service Center contributions and proportionate share of contributions	0	696,935	696,935
Service Center contributions subsequent to the measurement date	<u>1,055,304</u>	<u>460,594</u>	<u>1,515,898</u>
Total Deferred Outflows of Resources	<u>\$ 1,996,884</u>	<u>\$ 1,251,341</u>	<u>\$ 3,248,225</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 1,583,218	\$ 106,454	\$ 1,689,672
Changes in proportion and differences between Service Center contributions and proportionate share of contributions	<u>721,870</u>	<u>0</u>	<u>721,870</u>
Total Deferred Inflows of Resources	<u>\$ 2,305,088</u>	<u>\$ 106,454</u>	<u>\$ 2,411,542</u>

\$1,515,898 reported as deferred outflows of resources related to pension resulting from Service Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Fiscal Year Ending June 30:	STRS	SERS	Total
2017	\$ (547,367)	\$ 179,397	\$ (367,970)
2018	(547,367)	179,397	(367,970)
2019	(547,370)	178,997	(368,373)
2020	278,596	146,502	425,098
	<u>\$ (1,363,508)</u>	<u>\$ 684,293</u>	<u>\$ (679,215)</u>

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Service Center's proportionate share of the net pension liability	\$ 8,515,501	\$ 6,141,101	\$ 4,141,661

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Inflation	2.75 percent
Projected Salary Increase	2.75 percent at 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2.00 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year, for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

Sensitivity of the Service Center's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Service Center's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Service Center's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the current rate:

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Service Center's proportionate share of the net pension liability	\$ 28,521,611	\$ 20,532,802	\$ 13,777,073

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Service Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were \$43,774, \$83,723 and \$48,225, respectively. For fiscal year 2016, 92 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2015 and 2014.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2016, STRS did not allocate any employer contributions to post-employment health care. The Service Center’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$80,351, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 10 - LONG TERM OBLIGATIONS

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

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2016</u>	<u>Within</u>
					<u>One Year</u>
Governmental Activities:					
<i>Net Pension Liability:</i>					
STRS	\$ 18,838,671	\$ 1,694,131	\$ 0	\$ 20,532,802	\$ 0
SERS	4,649,741	1,491,360	0	6,141,101	0
<i>Total Net Pension Liability</i>	<u>23,488,412</u>	<u>3,185,491</u>	<u>0</u>	<u>26,673,903</u>	<u>0</u>
<i>Other Long-Term Obligations:</i>					
Compensated Absences	126,948	44,945	(44,640)	127,253	28,633
Capital Lease	743,211	0	(80,947)	662,264	84,104
<i>Total Other Long-Term Obligations</i>	<u>870,159</u>	<u>44,945</u>	<u>(125,587)</u>	<u>789,517</u>	<u>112,737</u>
 Total Long Term Obligations	 <u>\$ 24,358,571</u>	 <u>\$ 3,230,436</u>	 <u>\$ (125,587)</u>	 <u>\$ 27,463,420</u>	 <u>\$ 112,737</u>

Compensated absences will be paid from the fund in which the employee is paid. In prior years, this fund has primarily been the general fund. Capital leases will be paid from the general fund.

The Service Center pays obligations related to employee compensation from the fund benefitting from their service.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In fiscal year 2008, the Service Center entered into a lease-purchase agreement for HVAC improvements for heating and cooling. This lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the basic financial statements for the governmental funds. Capital assets acquired by lease have been capitalized in the amount of \$1,230,858; this amount is equal to the present value of the future minimum lease payments at the time of acquisition in the government-wide financial statements. Accumulated depreciation was \$209,508 as of June 30, 2016, leaving a current book value of \$1,021,350.

Principal payments in the current fiscal year totaled \$80,947. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2016:

<u>Year</u>	<u>Amount</u>
2017	\$ 109,932
2018	109,932
2019	109,932
2020	109,932
2021	109,932
2022-2023	<u>219,865</u>
Total lease payments	769,525
Less amount representing interest	<u>(107,261)</u>
Present value of minimum lease payments	<u>\$ 662,264</u>

NOTE 12 - JOINTLY GOVERNED ORGANIZATION

Metropolitan Regional Service Council (MRSC)

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

The Service Center does not maintain an ongoing financial interest or an ongoing financial responsibility. Payments to MRSC are made from the general fund. During the current fiscal year the Service Center made \$47,652 in contributions to MRSC.

Summit County Educational Service Center
Summit County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016

NOTE 13 – CONTINGENCIES

A. Grants

The Service Center received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the Service Center at June 30, 2016, if applicable, cannot be determined at this time.

B. Litigation

The Service Center is a party to legal proceedings. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Service Center's financial statements.

C. School Foundation

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 or June 30, 2016 Foundation funding for the Service Center; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the Service Center. A portion of the Service Center's foundation receipts are determined by FTE of the member school districts.

NOTE 14 - FUND DEFICITS

Fund balances at June 30, 2016 included the following individual fund deficits:

	<u>Fund Balance</u>
Public School Preschool	\$ 8,120
IDEA Preschool	14,103
Educational Regional Service System	142,079

The deficits in these funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in the non-major governmental funds and will provide transfers when cash is required, not when accruals occur.

NOTE 15 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

Summit County Educational Service Center

Summit County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2016

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	<u>General</u>	<u>Educational Regional Service System</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Local Grants	\$ 0	\$ 0	\$ 3,011	\$ 3,011
Federal Grants	0	0	8,043	8,043
Total Restricted	<u>0</u>	<u>0</u>	<u>11,054</u>	<u>11,054</u>
Assigned for:				
Encumbrances:				
Instructional	37,109	0	0	37,109
Support Services	102,168	0	0	102,168
Other Purposes:				
Public School Support	7,480	0	0	7,480
Total Assigned	<u>146,757</u>	<u>0</u>	<u>0</u>	<u>146,757</u>
Unassigned (Deficit)	<u>3,397,924</u>	<u>(142,079)</u>	<u>(22,223)</u>	<u>3,233,622</u>
Total Fund Balance	<u>\$ 3,544,681</u>	<u>\$ (142,079)</u>	<u>\$ (11,169)</u>	<u>\$ 3,391,433</u>

NOTE 16 – ENCUMBRANCE COMMITMENTS

The Service Center utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed or assigned classifications of fund balance. At fiscal year-end, the Service Center commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 139,277
Educational Regional Service System	24,388
Other Governmental Funds	605
	<u>\$ 164,270</u>

Summit County Educational Service Center
Summit County, Ohio
Required Supplementary Information
Schedule of the Service Center's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>State Teachers Retirement System (STRS)</i>			
Service Center's Proportion of the Net Pension Liability	0.07429441%	0.07745062%	0.07745062%
Service Center's Proportionate Share of the Net Pension Liability	\$ 20,532,802	\$ 18,838,671	\$ 22,440,502
Service Center's Covered-Employee Payroll	\$ 7,722,300	\$ 8,035,138	\$ 8,790,177
Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	265.89%	234.45%	255.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
<i>School Employees Retirement System (SERS)</i>			
Service Center's Proportion of the Net Pension Liability	0.10762350%	0.09187500%	0.09187500%
Service Center's Proportionate Share of the Net Pension Liability	\$ 6,141,101	\$ 4,649,741	\$ 5,463,511
Service Center's Covered-Employee Payroll	\$ 3,606,548	\$ 3,131,494	\$ 3,476,590
Service Center's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	170.28%	148.48%	157.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Summit County Educational Service Center
Summit County, Ohio
Required Supplementary Information
Schedule of Service Center Contributions
Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 1,055,304	\$ 1,081,122	\$ 1,044,568	\$ 1,142,723
Contributions in Relation to the Contractually Required Contribution	<u>(1,055,304)</u>	<u>(1,081,122)</u>	<u>(1,044,568)</u>	<u>(1,142,723)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Service Center's Covered-Employee Payroll	\$ 7,537,886	\$ 7,722,300	\$ 8,035,138	\$ 8,790,177
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
 <i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 460,594	\$ 475,343	\$ 434,025	\$ 481,160
Contributions in Relation to the Contractually Required Contribution	<u>(460,594)</u>	<u>(475,343)</u>	<u>(434,025)</u>	<u>(481,160)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Service Center's Covered-Employee Payroll	\$ 3,289,957	\$ 3,606,548	\$ 3,131,494	\$ 3,476,590
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

n/a - Information prior to 2008 is not available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,051,143	\$ 907,188	\$ 859,095	\$ 826,826	\$ 711,627	\$ 640,370
<u>(1,051,143)</u>	<u>(907,188)</u>	<u>(859,095)</u>	<u>(826,826)</u>	<u>(711,627)</u>	<u>(640,370)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 8,085,715	\$ 6,978,369	\$ 6,608,423	\$ 6,360,200	\$ 5,474,054	\$ 4,925,923
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 403,426	\$ 339,732	\$ 663,952	\$ 469,137	n/a	n/a
<u>(403,426)</u>	<u>(339,732)</u>	<u>(663,952)</u>	<u>(469,137)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 2,999,450	\$ 2,702,721	\$ 4,903,634	\$ 4,767,652	n/a	n/a
13.45%	12.57%	13.54%	9.84%	n/a	n/a

*Combining Statements for
Nonmajor Governmental Funds*

Combining Statements – Nonmajor Funds

Nonmajor Special Revenue Funds

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

Miscellaneous Local Grants

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

Public School Preschool

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

Dual Credit Grant

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

Teach Ohio Grant

To provide for either a new program or expansion of an existing program to support initiatives in the following areas: Standards and Assessments; Using Data to improve Instruction; Great Teachers and Leaders; and Turning Around the Lowest Achieving Schools.

EHA Preschool Grant

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

Miscellaneous Federal Grants

To account for Federal monies received to encourage and help fund smaller classroom size and additional staffing needs.

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Summit County Educational Service Center
Summit County, Ohio
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	Miscellaneous Local Grants	Public School Preschool	EHA Preschool Grant	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
Assets					
Equity in Pooled Cash and Investments	\$ 3,011	\$ 0	\$ 0	\$ 8,043	\$ 11,054
Receivables:					
Intergovernmental	0	15,665	26,424	0	42,089
<i>Total Assets</i>	<u>\$ 3,011</u>	<u>\$ 15,665</u>	<u>\$ 26,424</u>	<u>\$ 8,043</u>	<u>\$ 53,143</u>
Liabilities					
Accrued Wages and Benefits	\$ 0	\$ 12,544	\$ 12,217	\$ 0	\$ 24,761
Intergovernmental Payable	0	1,938	1,887	0	3,825
Interfund Payable	0	9,303	10,823	0	20,126
<i>Total Liabilities</i>	<u>0</u>	<u>23,785</u>	<u>24,927</u>	<u>0</u>	<u>48,712</u>
Deferred Inflows of Resources					
Unavailable Revenue	0	0	15,600	0	15,600
Fund Balances					
Restricted	3,011	0	0	8,043	11,054
Unassigned (Deficit)	0	(8,120)	(14,103)	0	(22,223)
<i>Total Fund Balances</i>	<u>3,011</u>	<u>(8,120)</u>	<u>(14,103)</u>	<u>8,043</u>	<u>(11,169)</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 3,011</u>	<u>\$ 15,665</u>	<u>\$ 26,424</u>	<u>\$ 8,043</u>	<u>\$ 53,143</u>

**Summit County Educational Service Center
Summit County, Ohio**

*Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2016*

	Miscellaneous Local Grants	Public School Preschool	Dual Credit Grant	Teach Ohio Grant
Revenues				
Intergovernmental	\$ 16,435	\$ 170,880	\$ 0	\$ 0
Expenditures				
Current:				
Instruction:				
Regular	0	0	17,415	0
Special	16,457	105,977	0	0
Support Services:				
Pupils	0	63,800	0	0
Instructional Staff	388	0	0	4,699
<i>Total Expenditures</i>	<u>16,845</u>	<u>169,777</u>	<u>17,415</u>	<u>4,699</u>
<i>Net Change in Fund Balance</i>	(410)	1,103	(17,415)	(4,699)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>3,421</u>	<u>(9,223)</u>	<u>17,415</u>	<u>4,699</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$ 3,011</u>	<u>\$ (8,120)</u>	<u>\$ 0</u>	<u>\$ 0</u>

EHA Preschool Grant	Miscellaneous Federal Grants	Total Nonmajor Special Revenue Funds
\$ 131,030	\$ 17,956	\$ 336,301
0	0	17,415
99,831	0	222,265
40,450	0	104,250
0	3,299	8,386
<u>140,281</u>	<u>3,299</u>	<u>352,316</u>
(9,251)	14,657	(16,015)
<u>(4,852)</u>	<u>(6,614)</u>	<u>4,846</u>
<u>\$ (14,103)</u>	<u>\$ 8,043</u>	<u>\$ (11,169)</u>

Combining Statements Agency Funds

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

Service Center Agency

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

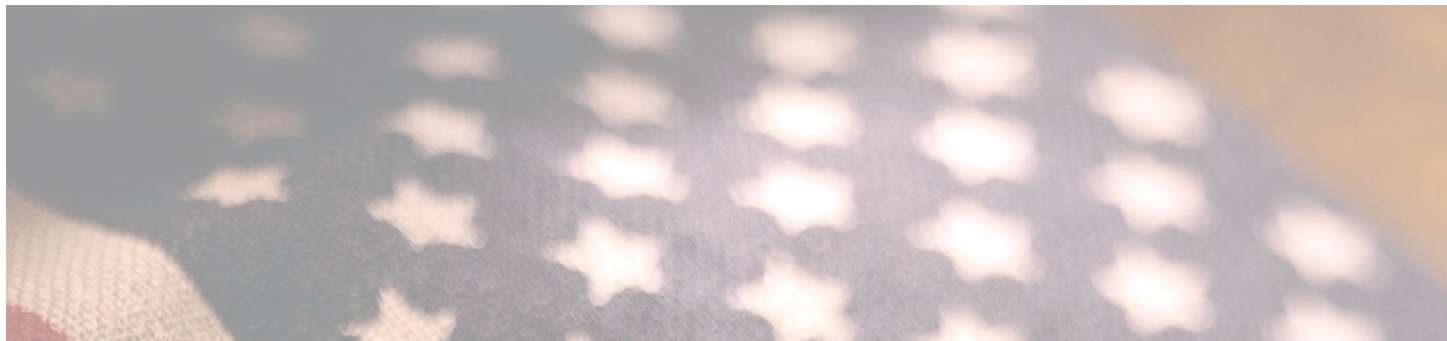
Employee Benefits

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

Summit County Educational Service Center
Summit County, Ohio
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2016

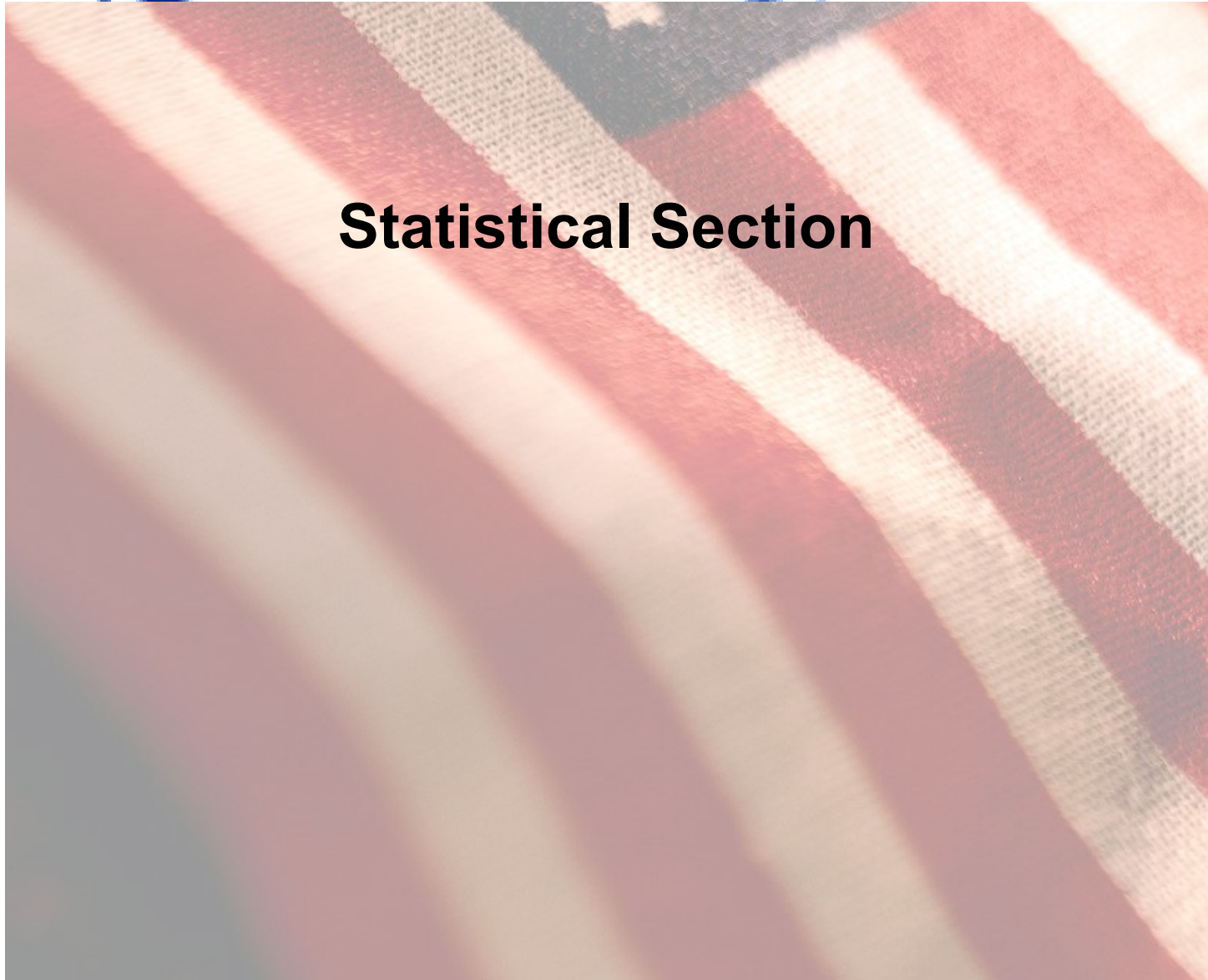
	Beginning Balance 7/1/15	Additions	Deductions	Ending Balance 6/30/16
Service Center Agency				
<u>Assets:</u>				
Equity in Pooled Cash and Investments	\$ 150,471	\$ 89,501	\$ 119,918	\$ 120,054
Receivables:				
Intergovernmental	0	30,482	0	30,482
Total Assets	<u>\$ 150,471</u>	<u>\$ 119,983</u>	<u>\$ 119,918</u>	<u>\$ 150,536</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0
Undistributed Monies	150,471	30,482	30,417	150,536
Total Liabilities	<u>\$ 150,471</u>	<u>\$ 30,482</u>	<u>\$ 30,417</u>	<u>\$ 150,536</u>

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Summit County

Educational Service Center



Statistical Section

STATISTICAL SECTION

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

<u>Statistical Section Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the Service Center's financial performance has changed over time.	58-65
Revenue Capacity	
These schedules contain information to help the reader assess the affordability of the Service Center's most significant local revenue source, "charges for services".	66
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within the Service Center's financial activities take place.	67-74
Operating	
These schedules contain service data to help the reader understand how the information in the Service Center's financial report relates to the services the Service Center provides and the activities performed.	75-78
Debt Information	
This schedule presents information to help the reader assess the affordability of the Service Center's current levels of outstanding debt.	79

With the implementation of GASB No. 68 in fiscal year 2015, the calculation of pension expense has changed, however, government-wide expenses for 2014 and prior fiscal years were not restated to reflect this change.

Summit County Educational Service Center
Summit County, Ohio
Net Position by Components
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2016	2015	Restated 2014	2013
<u>Governmental Activities:</u>				
Net Investment in Capital Assets	\$ 1,131,687	\$ 1,089,726	\$ 1,025,871	\$ 1,000,298
Restricted	807,698	185,363	398,572	106,979
Unrestricted	(20,356,968)	(20,301,626)	(20,120,860)	6,193,617
Total Governmental Activities Net Position	<u>\$ (18,417,583)</u>	<u>\$ (19,026,537)</u>	<u>\$ (18,696,417)</u>	<u>\$ 7,300,894</u>
<u>Primary Government:</u>				
Net Investment in Capital Assets	\$ 1,131,687	\$ 1,089,726	\$ 1,025,871	\$ 1,000,298
Restricted	807,698	185,363	398,572	106,979
Unrestricted	(20,356,968)	(20,301,626)	(20,120,860)	6,193,617
Total Primary Government Net Position	<u>\$ (18,417,583)</u>	<u>\$ (19,026,537)</u>	<u>\$ (18,696,417)</u>	<u>\$ 7,300,894</u>

Source: FY2007- FY2016 Service Center Audit Reports

2012	2011	2010	2009	2008	2007
\$ 956,194	\$ 947,583	\$ 934,281	\$ 957,966	\$ 956,526	\$ 993,685
333,572	377,913	673,040	471,531	1,864,256	272,331
6,052,372	6,581,550	6,797,030	6,511,875	4,873,940	4,904,129
<u>\$ 7,342,138</u>	<u>\$ 7,907,046</u>	<u>\$ 8,404,351</u>	<u>\$ 7,941,372</u>	<u>\$ 7,694,722</u>	<u>\$ 6,170,145</u>
\$ 956,194	\$ 947,583	\$ 934,281	\$ 957,966	\$ 956,526	\$ 993,685
333,572	377,913	673,040	471,531	1,864,256	272,331
6,052,372	6,581,550	6,797,030	6,511,875	4,873,940	4,904,129
<u>\$ 7,342,138</u>	<u>\$ 7,907,046</u>	<u>\$ 8,404,351</u>	<u>\$ 7,941,372</u>	<u>\$ 7,694,722</u>	<u>\$ 6,170,145</u>

Summit County Educational Service Center
Summit County, Ohio
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2016	2015	2014	2013 (1)
Primary Government:				
<u>Expenses:</u>				
Governmental Activities:				
Instruction:				
Regular	\$ 1,555,550	\$ 1,184,980	\$ 996,270	\$ 546,062
Special	4,177,389	4,766,970	5,026,161	6,756,094
Vocational	82,482	91,452	89,261	68,790
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	3,481,946	3,597,195	3,480,941	3,754,776
Instructional Staff	3,210,954	3,412,131	4,130,917	4,449,228
Board of Governors	45,278	60,798	49,984	56,629
Administration	1,139,865	1,002,026	1,008,675	1,013,927
Fiscal	328,460	320,142	307,756	315,483
Business	161,857	269,610	33,365	32,837
Operation and Maintenance of Plant	387,830	499,475	526,689	561,598
Pupil Transportation	0	0	0	0
Central	79,335	45,987	67,707	123,273
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	37,536	40,719	48,911	56,208
Interest and fiscal charges	28,985	32,024	34,948	37,763
Total Governmental Activities - Expenses	<u>14,717,467</u>	<u>15,323,509</u>	<u>15,801,585</u>	<u>17,772,668</u>
<u>Program Revenues:</u>				
Governmental Activities:				
Charges for Services and Sales:				
Instruction:				
Regular	905,674	623,625	471,218	43,549
Special	3,969,388	4,278,828	5,544,529	6,395,013
Vocational	58,991	51,261	75,522	24,417
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	2,884,574	2,822,338	3,359,445	3,414,118
Instructional Staff	2,172,161	1,981,385	1,566,055	1,632,620
Board of Governors	30,182	32,494	0	0
Administration	863,388	720,402	425,693	653,681
Fiscal	267,763	217,062	265,909	267,505
Business	105,976	135,538	13,411	14,929
Operation and Maintenance of Plant	393,085	401,822	325,544	359,113
Central	55,644	22,476	49,421	76,205
Operation of Non-Instructional Services	440	121	0	0
Extracurricular	25,774	23,097	31,172	46,705
Operating Grants and Contributions:				
Instruction:				
Regular	808	0	0	7,608
Special	222,294	194,137	202,009	225,082
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	114,556	187,170	97,546	62,245
Instructional Staff	2,024,326	1,306,020	1,831,653	1,749,760
Board of governors	11,103	0	0	0
Administration	0	19,821	64,400	1,722
Fiscal	156,981	65,267	118,656	100,818
Operation and Maintenance of Plant	199,771	137,568	188,599	142,704
Central	6,889	4,279	6,316	48,447
Operation of Non-Instructional Services	0	0	0	0
Total Governmental Activities Program Revenues	<u>14,469,768</u>	<u>13,224,711</u>	<u>14,637,098</u>	<u>15,266,241</u>
Net (expense)/revenue	(247,699)	(2,098,798)	(1,164,487)	(2,506,427)
<u>General Revenues and Other Changes in Net Position</u>				
Grants and Entitlements not Restricted to Specific Programs	821,960	1,719,015	1,588,760	2,458,618
Investment Earnings	1,860	2,316	3,736	5,669
Miscellaneous	32,833	47,347	100	600
Total Governmental Activities	<u>856,653</u>	<u>1,768,678</u>	<u>1,592,596</u>	<u>2,464,887</u>
<u>Change in Net Position:</u>				
Governmental Activities	<u>\$ 608,954</u>	<u>\$ (330,120)</u>	<u>\$ 428,109</u>	<u>\$ (41,540)</u>

Source: FY2007 - FY2016 Service Center Audit Reports

(1) Excludes the activities of funds reported in the general fund with the reclassification of a fund to private purpose trust. Amount was not significant and would not impact the analysis.

2012	2011	2010	2009	2008	2007
\$ 867,600	\$ 923,978	\$ 913,601	\$ 605,811	\$ 540,996	\$ 369,429
5,771,610	4,327,833	3,812,318	3,373,034	2,998,717	2,904,473
75,995	88,980	69,889	65,783	60,090	58,931
0	0	0	1,550	1,215	1,888
3,649,489	3,136,536	2,993,203	2,883,336	2,964,052	2,586,241
4,622,772	4,250,972	4,187,584	4,624,215	3,204,321	2,284,496
68,640	59,229	87,926	60,635	69,199	55,669
647,737	706,592	810,933	1,226,557	1,332,565	846,333
345,505	317,541	457,431	332,287	307,573	270,605
56,890	47,809	32,585	42,141	42,678	63,513
388,307	316,129	395,811	427,400	210,114	123,790
0	0	0	0	226,744	0
193,077	200,088	210,520	253,570	12,696	248,083
0	0	13,000	0	0	0
57,482	56,002	21,865	43,959	1,778	19,638
40,472	43,172	46,230	49,229	0	2,299
<u>16,785,576</u>	<u>14,474,861</u>	<u>14,052,896</u>	<u>13,989,507</u>	<u>11,972,738</u>	<u>9,835,388</u>
488,860	541,225	673,409	415,158	300,784	161,796
4,926,528	3,362,495	3,202,215	2,755,621	2,342,484	2,312,742
61,149	69,192	66,643	60,088	50,568	145,649
0	0	0	0	0	6,156
3,065,263	2,464,636	2,633,798	2,501,779	2,369,294	1,736,547
1,636,128	1,797,166	1,641,917	1,453,927	1,463,840	1,287,488
10,065	48,073	23,853	0	58,051	2,198
337,676	539,361	393,634	506,014	523,350	1,088,987
272,678	113,086	298,316	260,372	225,858	40,654
11,154	35,863	1,699	4,128	34,815	3,078
222,971	240,878	115,736	105,538	109,400	4,837
133,655	132,324	152,931	192,978	157,361	231,928
0	0	0	0	0	0
46,902	44,125	20,685	40,358	0	0
303,486	210,085	145,642	218,379	219,603	94,038
206,355	129,913	139,951	41,671	149,113	181,428
0	0	0	0	1,222	0
63,797	54,383	63,038	97,383	123,746	0
1,862,649	1,771,441	2,213,428	2,472,629	1,734,960	384,365
0	0	0	0	0	0
56	23,644	71,438	374,738	986,919	281,165
4,831	86,332	133,739	43,367	16,810	0
62,936	60,067	167,923	193,768	49,022	0
33,473	6,506	38,782	3,000	0	3,000
0	0	12,768	0	0	0
<u>13,750,612</u>	<u>11,730,795</u>	<u>12,211,545</u>	<u>11,740,896</u>	<u>10,917,200</u>	<u>7,966,056</u>
(3,034,964)	(2,744,066)	(1,841,351)	(2,248,611)	(1,055,538)	(1,869,332)
2,448,486	2,351,492	2,290,684	2,406,256	2,302,630	2,441,160
6,361	9,617	13,157	65,048	228,370	329,136
15,209	314	489	23,957	49,115	28,230
<u>2,470,056</u>	<u>2,361,423</u>	<u>2,304,330</u>	<u>2,495,261</u>	<u>2,580,115</u>	<u>2,798,526</u>
\$ (564,908)	\$ (382,643)	\$ 462,979	\$ 246,650	\$ 1,524,577	\$ 929,194

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

	<u>General Fund</u>			
	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Restated Fiscal Year Ended June 30, 2013
Unreserved	\$ 0	\$ 0	\$ 0	\$ 0
Reserved	0	0	0	0
Assigned	146,757	42,670	63,090	53,871
Unassigned	3,397,924	3,528,632	4,109,548	4,705,544
Total fund balance	\$ 3,544,681	\$ 3,571,302	\$ 4,172,638	\$ 4,759,415

	<u>All Other Governmental Funds</u>			
	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013
Fund balance, reserved	\$ 0	\$ 0	\$ 0	\$ 0
Fund balance, unreserved reported in:				
Special revenue funds	0	0	0	0
Capital project funds	0	0	0	0
Restricted	11,054	123,408	97,381	99,168
Unassigned	(164,302)	(20,689)	(42,418)	(1,759)
Total fund balance	\$ (153,248)	\$ 102,719	\$ 54,963	\$ 97,409

Source: FY2007 - FY2016 Service Center Audit Report

NOTE: Fund Balance classifications changed with the implementation of GASB Statement #54 in fiscal year 2011

Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
\$ 0	\$ 0	\$ 0	\$ 5,046,947	\$ 5,300,862	\$ 4,013,583
0	0	0	90,147	130,629	133,345
50,155	56,747	35,566	N/A	N/A	N/A
4,305,462	6,046,993	5,393,947	N/A	N/A	N/A
<u>\$ 4,355,617</u>	<u>\$ 6,103,740</u>	<u>\$ 5,429,513</u>	<u>\$ 5,137,094</u>	<u>\$ 5,431,491</u>	<u>\$ 4,146,928</u>

Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
\$ 0	\$ 0	\$ 0	\$ 81,920	\$ 447,043	\$ 111,352
0	0	0	342,351	(71,835)	160,973
0	0	0	2,243	1,231,224	0
49,934	92,808	269,620	N/A	N/A	N/A
(188,612)	(195,023)	0	N/A	N/A	N/A
<u>\$ (138,678)</u>	<u>\$ (102,215)</u>	<u>\$ 269,620</u>	<u>\$ 426,514</u>	<u>\$ 1,606,432</u>	<u>\$ 272,325</u>

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

	Fiscal Year Ended June 30, 2016	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014	Fiscal Year Ended June 30, 2013 (1)
Revenues:				
Intergovernmental	\$ 2,689,114	\$ 3,828,015	\$ 3,810,452	\$ 5,142,393
Investment Income	1,860	2,316	3,736	5,669
Tuition and Fees	4,423,964	4,629,340	3,823,612	5,051,826
Gifts and Donations	808	0	2,600	0
Charges for Services	7,680,427	7,021,221	7,899,943	8,491,724
Miscellaneous	36,958	50,501	5,920	2,566
Total Revenues	14,833,131	15,531,393	15,546,263	18,694,178
Expenditures:				
Current:				
Instruction:				
Regular	1,367,039	1,212,891	998,698	543,923
Special	4,302,589	4,910,316	5,025,815	6,748,033
Vocational	90,489	94,246	89,148	69,135
Adult/Continuing	0	0	0	0
Support Services:				
Pupils	3,606,383	3,795,314	3,526,026	3,754,038
Instructional Staff	3,276,968	3,532,464	4,196,284	4,502,347
Board of Governors	45,407	60,913	49,984	56,629
Administration	1,136,700	1,005,415	997,252	978,948
Fiscal	414,340	400,577	418,076	432,623
Business	162,219	262,280	33,335	32,874
Operation and Maintenance of Plant	479,956	614,717	615,403	645,956
Central	84,596	44,458	66,622	123,943
Operation of Non-Instructional Services	0	0	0	0
Extracurricular Activities	39,101	41,450	48,911	56,208
Capital Outlay	0	0	0	0
Debt Service:				
Principal Retirement	80,947	77,908	74,984	72,169
Interest and Fiscal Charges	28,985	32,024	34,948	37,763
Total Expenditures	15,115,719	16,084,973	16,175,486	18,054,589
Excess of Revenues Over (Under)				
Expenditures	(282,588)	(553,580)	(629,223)	639,589
Other Financing Sources (Uses):				
Inception of Capital Lease	0	0	0	0
Proceeds from Lease-purchase Agreement	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	\$ (282,588)	\$ (553,580)	\$ (629,223)	\$ 639,589
Debt Service as a Percentage of				
Noncapital Expenditures	0.7%	0.7%	0.7%	0.6%

Source: FY2007 - FY2016 Service Center Audit Reports

(1) Excludes the activities of funds reported in the general fund with the reclassification of a fund to private purpose trust.
Amount was not significant and would not impact the analysis.

Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2007
\$ 5,317,018	\$ 4,798,963	\$ 5,043,267	\$ 6,064,539	\$ 5,292,136	\$ 3,383,717
6,361	9,617	13,157	65,048	228,370	329,136
1,608,558	2,989,405	1,621,441	1,021,296	1,633,981	622,444
599	0	13,330	0	9,200	804
8,352,304	7,412,298	7,559,568	6,596,537	6,057,338	5,806,717
15,207	6,863	2,657	22,235	94,670	29,670
<u>15,300,047</u>	<u>15,217,146</u>	<u>14,253,420</u>	<u>13,769,655</u>	<u>13,315,695</u>	<u>10,172,488</u>
873,398	924,067	912,276	605,374	540,400	368,742
5,755,354	4,317,750	3,790,998	3,356,855	2,988,392	2,897,878
75,510	88,926	69,782	65,496	59,943	58,788
0	0	0	1,550	1,215	1,888
3,658,288	3,171,368	2,995,724	2,912,098	2,949,490	2,573,179
4,693,692	4,337,367	4,158,601	4,622,372	3,194,039	2,307,966
68,640	59,229	87,926	60,635	69,199	55,669
619,275	729,115	793,852	1,215,504	1,329,878	868,685
467,530	460,589	452,161	329,721	306,580	307,187
56,875	45,163	31,755	39,721	38,642	60,758
449,129	411,552	345,834	382,724	178,773	97,064
199,228	198,113	208,469	256,179	247,015	245,847
0	0	13,000	0	0	0
57,782	55,936	21,631	43,959	12,725	19,628
0	0	0	1,230,858	0	0
69,460	72,407	74,994	71,995	9,514	8,993
40,472	43,172	46,230	49,229	1,778	2,299
<u>17,084,633</u>	<u>14,914,754</u>	<u>14,003,233</u>	<u>15,244,270</u>	<u>11,927,583</u>	<u>9,874,571</u>
(1,784,586)	302,392	250,187	(1,474,615)	1,388,112	297,917
0	0	0	0	0	0
0	0	0	0	1,230,858	0
0	0	0	0	1,230,858	0
<u>\$ (1,784,586)</u>	<u>\$ 302,392</u>	<u>\$ 250,187</u>	<u>\$ (1,474,615)</u>	<u>\$ 2,618,970</u>	<u>\$ 297,917</u>
0.6%	0.8%	0.9%	0.9%	0.1%	0.1%

Summit County Educational Service Center
Summit County, Ohio
Largest Own Revenue Source - Charges for Services
Current Year and Nine Years Prior

Source	Fiscal Year 2016 (1) Amount	% Of The Total Largest Own Revenue Source	Source	Fiscal Year 2007 (1) Amount	% Of The Total Largest Own Revenue Source
Preschool Excess Costs	\$ 2,504,049	21%	School Foundation Basic Allowance	\$ 1,456,523	21%
Contracted Services Kids First	1,127,752	10%	Preschool Excess Costs	924,528	13%
Greater Summit County Early Learning Center	1,022,860	9%	Contract Services Cuyahoga Falls	600,499	9%
School Foundation Basic Allowance	961,789	8%	Psychological Services Contracted	525,350	7%
Foundation Preschool Units	737,439	6%	Preschool Units	485,742	7%
Contract Services Copley-Fairlawn	600,681	5%	Interest Earned on Investments	329,136	5%
Psychological Services Contracted	497,412	4%	C&I Staff Services Contracted	306,561	4%
Contracted Services Barberton	490,893	4%	Contracted Services Barberton	286,653	4%
Contract Services Cuyahoga Falls	346,831	3%	Contracted Services Nordon Hills	256,097	4%
Contracted Services - CVCA	320,474	3%	St. Barnabas Contracted Services	250,032	4%
Total Top Payers/Users of Services	<u>8,610,180</u>	<u>73%</u>		<u>5,421,121</u>	<u>78%</u>
Total Charges for Services (2)	\$ <u>11,733,040</u>		Total Charges for Services (2)	\$ <u>7,022,060</u>	

Most significant services provided to member districts (3):

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

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

- (1) Cash collections for the fiscal year.
- (2) 2007 - 2016 is reported for governmental activities using the accrual basis of accounting.
- (3) There is no direct rate applied to this revenue source. The fees for these revenues vary from service to service provided and vary by member districts who request the services.

Source: Service Center's financial records.

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

	<u>2006</u>	<u>2015</u>
Civilian labor force in county	294,200	272,900
Unemployed in county	15,600	13,500
Unemployment rate in county	5.3%	4.9%
Unemployment rate - Ohio	5.5%	4.9%

Ten Largest Employers in Summit County as of December 31, 2015

Employer	Nature of Activity or Business	Approximate Number of Employees	Percent of Total Employed
Summa Health System	Medical	11,000	4.03%
Cleveland Clinic - Akron General	Medical	3,953	1.45%
Akron Children's Hospital	Medical	3,380	1.24%
The Goodyear Tire and Rubber Company	Rubber Products	3,000	1.10%
County of Summit, Ohio	Government	2,969	1.09%
Signet Jewelers Inc.	Retail	2,900	1.06%
Akron Public Schools	Elementary and Secondary Ed	2,780	1.02%
University of Akron	Higher Education	2,622	0.96%
FirstEnergy Corporation	Utility	2,300	0.84%
Time Warner Cable NEO	Utility	2,095	0.77%

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

Employer	Nature of Activity or Business	Approximate Number of Employees	Percent of Total Employed
Summa Health System	Medical	6,102	2.19%
Cleveland Clinic - Akron General	Medical	2,467	1.53%
Goodyear Tire and Rubber Company	Rubber Products	4,000	1.44%
Akron Public School District	Elementary and Secondary Ed	3,500	1.26%
University of Akron	High Education	2,845	1.02%
Akron General Medical Center	Medical	2,820	1.01%
City of Akron	Government	2,585	0.93%
Akron Childrens Hospital	Medical	2,360	0.85%
First Energy Corporation	Utilities	2,300	0.83%
JoAnn Stores Inc.	Retail	2,200	0.79%

Source: County of Summit/Ohio CAFR

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

School District (1)	2015		2006 Personal Tax Returns	
	Total District Personal Income	Per Capita Personal Income	Total District Personal Income	Per Capita Personal Income
Barberton CSD	\$ 383,332,157	\$ 34,659	\$ 386,234,936	\$ 32,468
Copley-Fairlawn CSD	834,719,883	75,180	745,999,735	69,929
Coventry LSD	331,642,733	51,172	285,405,679	43,009
Cuyahoga Falls CSD	1,014,530,870	47,198	905,030,319	42,456
Green LSD	208,207,983	48,619	682,249,911	56,468
Hudson CSD	1,573,825,201	137,392	1,466,436,063	127,561
Manchester LSD	208,207,983	48,522	200,333,197	45,655
Mogadore LSD	83,266,943	40,817	81,056,011	39,482
Nordonia Hills CSD	1,037,260,298	60,694	910,268,409	55,134
Norton CSD	321,361,220	48,332	305,681,807	44,547
Revere LSD	1,324,758,882	136,997	1,224,077,108	128,796
Springfield LSD	357,221,412	41,673	333,178,240	37,848
Stow-Munroe Falls CSD	1,199,249,335	59,310	1,086,062,809	53,720
Tallmadge CSD	467,565,348	52,660	415,842,094	48,466
Twinsburg CSD	868,080,202	67,920	704,780,108	59,859
Woodridge LSD	589,117,158	68,099	506,615,849	60,723
Average personal income	\$ 675,146,726			

Source: Ohio Department of Taxation

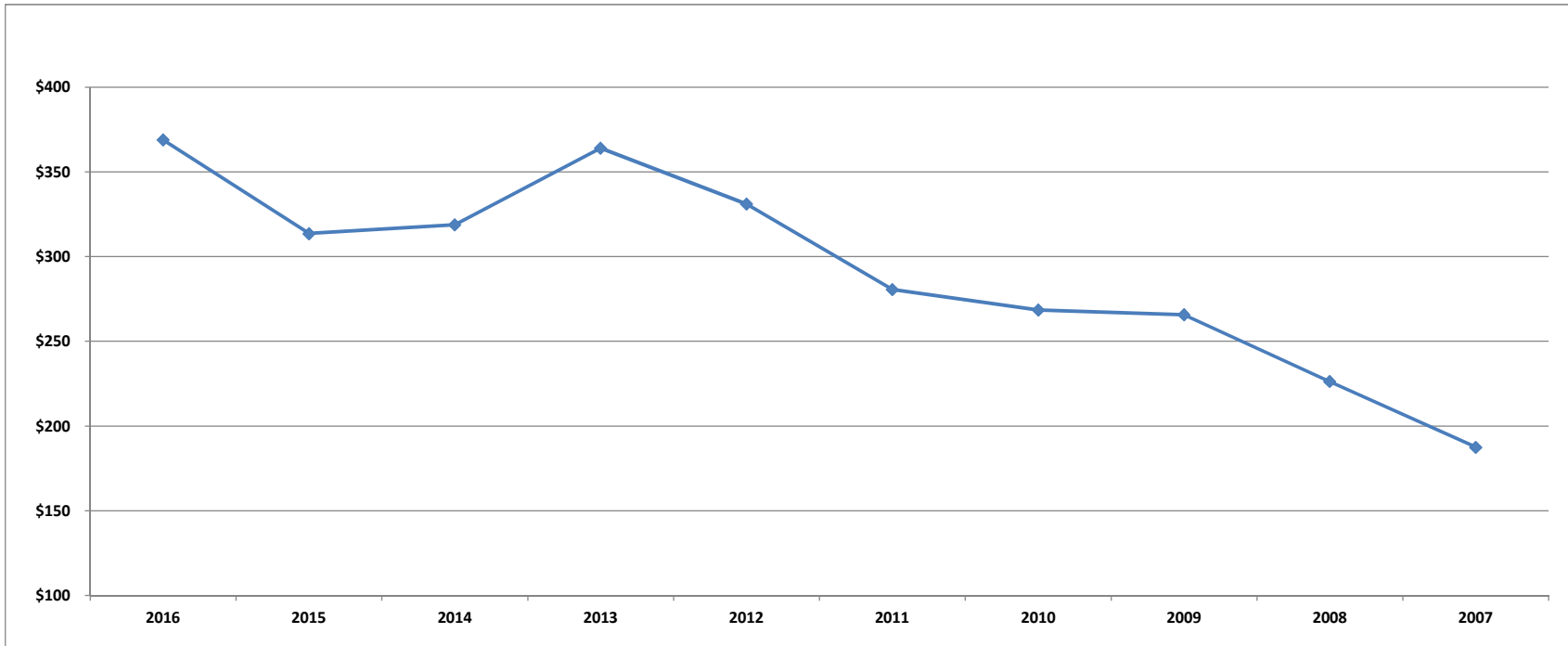
(1) Member district income was deemed relevant information. Employer and Employee income does not directly effect the Service Center's largest own revenue source. However, it is deemed to indirectly effect it. The financial stability of the member district's has a direct effect on the services they request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

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

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
(1) Expenses/Expenditures	\$ 14,717,467	\$ 15,323,509	\$ 15,801,585	\$ 17,772,668	\$ 16,785,576	\$ 14,474,861	\$ 14,052,896	\$ 13,989,507	\$ 11,972,738	\$ 9,835,388
(2) ADM	39,896	48,863	49,574	48,826	50,710	51,600	52,345	52,665	52,912	52,483
Expenditures/ADM	\$ 369	\$ 314	\$ 319	\$ 364	\$ 331	\$ 281	\$ 268	\$ 266	\$ 226	\$ 187

Expenditures per Average Daily Membership (ADM)



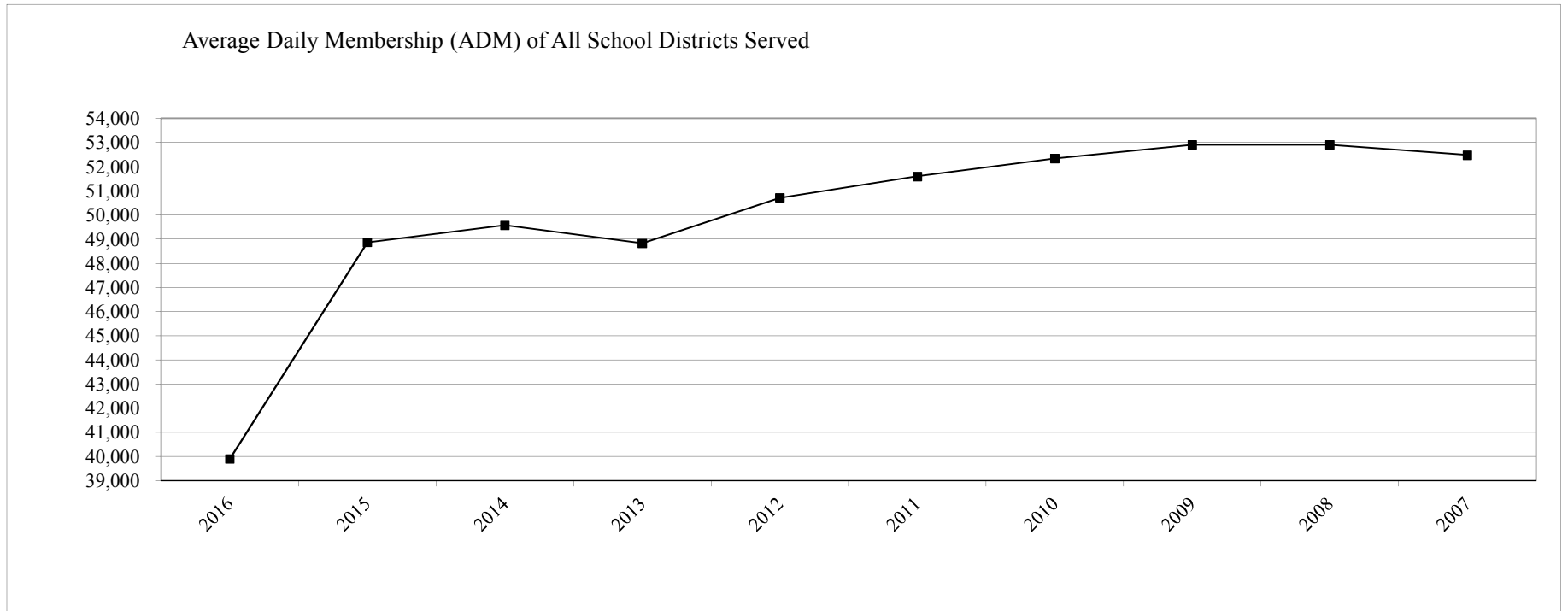
(1) FY2007-FY2016 accrual basis expenses are provided. All provided by Service Center Audit Reports.

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

Note: School membership changed during fiscal year 2016 however the ADM count for those members has not been adjusted for FY2015 or prior years.

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

Fiscal Year Ended June 30	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
ADM	39,896	48,863	49,574	48,826	50,710	51,600	52,345	52,912	52,912	52,483
Percent Change	-18.35%	-1.43%	1.53%	-3.72%	-1.72%	-1.42%	-1.07%	0.00%	0.82%	-0.38%



Note: School membership changed during fiscal year 2016 however the ADM count for those members has not been adjusted for FY2015 or prior years.

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

Fiscal Year Ended June 30,	Barberton City School District			Copley-Fairlawn City School District		
	2015	2014	2013	2015	2014	2013
Fall Enrollment	3,711	3,736	3,739	2,918	2,958	3,069

Demographic Data:

Average Income	\$26,925	\$26,299	\$25,674	\$46,014	\$46,378	\$45,348
Revenue/Pupil	\$7,867	\$10,210	\$11,742	\$11,383	\$10,287	\$11,605
Local %	26.4%	25.6%	31.3%	74.8%	73.7%	79.0%
State %	57.7%	55.7%	54.2%	17.9%	18.5%	17.3%
Federal %	9.4%	10.6%	14.5%	3.3%	3.2%	3.7%

Fiscal Data:

Effective Mills	70.21	61.56	52.66	64.06	61.67	61.67
Average Teacher Salary	\$60,139	\$58,936	\$58,219	\$63,169	\$61,648	\$61,337

Staff Data:

Staff Attendance Rate	94.70	94.50	94.50	94.90	95.50	95.50
Number of Teachers	219.50	217.34	237.00	182.00	141.28	156.83
Student/Teacher Ratio	16.90	17.19	17.19	16.10	20.94	20.94

Output:

Pupil Attendance Rate	92.50	93.30	93.30	95.90	96.30	96.30
Graduation Rate	81.60	83.00	83.00	93.80	93.80	93.80

Fiscal Year Ended June 30,	Mogadore Local School District			Nordonia Hills City School District		
	2015	2014	2013	2015	2014	2013
Fall Enrollment	885	921	912	3,585	3,649	3,720

Demographic Data:

Average Income	\$32,163	\$32,294	\$32,204	\$44,251	\$43,454	\$43,329
Revenue/Pupil	\$10,043	\$9,710	\$10,125	\$11,339	\$11,268	\$12,008
Local %	37.6%	30.8%	53.0%	65.9%	65.8%	72.2%
State %	56.5%	43.0%	43.3%	23.8%	24.0%	23.3%
Federal %	5.7%	4.5%	3.7%	3.5%	3.6%	4.5%

Fiscal Data:

Effective Mills	81.28	76.99	76.99	68.94	67.30	67.30
Average Teacher Salary	\$63,474	\$65,032	\$64,028	\$63,294	\$62,389	\$62,764

Staff Data:

Staff Attendance Rate	92.70	95.00	95.00	95.20	95.40	95.40
Number of Teachers	54.30	51.65	51.06	206.30	190.04	200.62
Student/Teacher Ratio	16.30	17.84	17.84	17.38	19.20	19.20

Output:

Pupil Attendance Rate	95.60	95.50	95.50	95.70	96.20	96.20
Graduation Rate	94.70	94.70	94.70	93.40	96.40	96.40

NOTE: It has been determined 10 years of data would be too cumbersome for CAFR reporting.
Information can be obtained from the Service Center Treasurer's office as needed.

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

(1) Information is not available for fiscal year 2016 due to this year still being under audit for some schools.

Coventry Local School District			Cuyahoga Falls City School District			Field Local School District		
2015	2014	2013	2015	2014	2013	2015	2014	2013
2,076	2,251	2,274	4,742	4,828	4,840	2,122	2,223	2,352
\$33,737	\$33,409	\$32,752	\$34,271	\$33,697	\$32,361	\$36,464	\$35,988	\$35,900
\$9,483	\$9,444	\$9,375	\$9,567	\$9,113	\$10,650	\$8,636	\$7,888	\$7,508
58.1%	42.1%	70.8%	54.7%	51.7%	62.8%	46.0%	47.6%	47.9%
34.6%	23.0%	22.4%	38.2%	32.8%	30.8%	48.5%	46.2%	44.3%
7.1%	8.0%	6.8%	6.9%	6.4%	6.4%	5.3%	6.1%	7.7%
80.23	77.67	77.87	69.96	69.08	69.08	28.92	29.09	29.17
\$53,161	\$52,144	\$52,573	\$53,566	\$52,587	\$52,654	\$49,621	\$50,783	\$50,781
92.70	94.70	94.70	93.80	95.50	95.50	96.20	95.20	94.50
119.50	112.11	113.24	318.20	270.30	276.26	129.30	131.70	150.40
17.37	20.08	20.08	14.90	17.86	17.86	16.40	16.80	15.60
93.90	94.40	94.40	94.90	95.10	95.10	95.00	95.50	94.90
92.50	96.60	96.60	89.80	89.50	89.50	91.90	93.70	93.70
Norton City School District			Springfield Local School District			Stow-Munroe Falls City School District		
2015	2014	2013	2015	2014	2013	2015	2014	2013
2,425	2,471	2,467	2,280	2,422	2,334	5,066	5,050	5,080
\$37,019	\$36,355	\$35,812	\$31,687	\$31,227	\$30,373	\$41,593	\$40,795	\$39,792
\$8,763	\$8,128	\$8,996	\$10,858	\$10,601	\$12,069	\$10,271	\$10,360	\$11,662
42.3%	35.5%	58.0%	42.0%	37.7%	50.9%	60.9%	56.5%	64.5%
51.0%	39.1%	37.2%	49.9%	41.6%	40.5%	34.7%	31.7%	31.5%
6.6%	5.1%	4.8%	7.9%	6.9%	8.6%	4.3%	3.4%	4.0%
65.69	58.60	58.80	55.92	51.54	51.46	53.66	52.81	52.89
\$52,428	\$52,199	\$53,183	\$62,638	\$62,037	\$60,935	\$63,937	\$64,413	\$62,515
95.50	95.70	95.70	95.20	93.60	93.60	95.30	95.20	95.20
159.90	128.88	128.63	145.70	144.26	149.19	330.80	235.12	244.53
15.17	19.17	19.17	15.60	16.79	16.79	15.30	21.48	21.48
95.10	95.00	95.00	93.00	93.50	93.50	95.80	95.70	95.70
97.80	93.30	93.30	86.00	94.60	94.60	95.20	95.10	95.10

Summit County Educational Service Center

Summit County, Ohio

Miscellaneous Statistics - School Districts Served

Last Three Fiscal Years (1)

Fiscal Year Ended June 30,	Hudson City School District			Manchester Local School District		
	2015	2014	2013	2015	2014	2013
Fall Enrollment	4,430	4,450	4,490	1,319	1,349	1,393

Demographic Data:

Average Income	\$68,949	\$68,832	\$69,030	\$37,010	\$36,482	\$35,326
Revenue/Pupil	\$12,187	\$11,770	\$14,357	\$10,818	\$10,256	\$10,321
Local %	66.8%	63.5%	69.1%	50.0%	47.1%	49.5%
State %	29.8%	27.2%	27.3%	46.3%	46.3%	45.8%
Federal %	3.2%	3.0%	3.6%	3.6%	3.3%	5.0%

Fiscal Data:

Effective Mills	88.43	86.93	86.93	69.88	73.24	67.28
Average Teacher Salary	\$72,289	\$72,038	\$73,313	\$51,637	\$50,848	\$52,639

Staff Data:

Staff Attendance Rate	95.60	95.40	95.40	96.80	96.40	96.40
Number of Teachers	282.20	248.87	258.91	80.00	58.89	60.78
Student/Teacher Ratio	15.70	17.88	17.88	16.50	22.91	22.91

Output:

Pupil Attendance Rate	96.20	96.30	96.30	95.50	95.70	95.70
Graduation Rate	98.70	96.10	96.10	95.30	97.60	97.60

Fiscal Year Ended June 30,	Tallmadge City School District			Woodridge Local School District		
	2015	2014	2013	2015	2014	2013
Fall Enrollment	2,336	2,386	2,450	2,001	1,879	1,975

Demographic Data:

Average Income	\$36,417	\$36,557	\$35,896	\$35,133	\$34,459	\$33,394
Revenue/Pupil	\$10,505	\$10,581	\$10,881	\$11,437	\$11,800	\$11,955
Local %	52.9%	50.6%	57.2%	71.2%	64.9%	72.8%
State %	43.6%	38.3%	38.7%	22.4%	21.5%	2.1%
Federal %	3.4%	5.0%	4.1%	6.3%	4.8%	5.8%

Fiscal Data:

Effective Mills	72.41	66.13	66.26	61.50	57.51	57.64
Average Teacher Salary	\$60,937	\$59,933	\$57,676	\$64,519	\$62,592	\$62,405

Staff Data:

Staff Attendance Rate	96.60	96.20	96.20	94.40	94.80	94.80
Number of Teachers	146.40	141.75	155.05	127.90	105.99	115.62
Student/Teacher Ratio	15.9	16.83	16.83	15.60	17.73	17.73

Output:

Pupil Attendance Rate	95.50	95.90	95.90	95.30	95.60	95.60
Graduation Rate	95.90	96.00	96.00	89.70	95.50	95.50

NOTE: It has been determined 10 years of data would be too cumbersome for CAFR reporting.

Information can be obtained from the Service Center Treasurer's office as needed.

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

(1) Information is not available for fiscal year 2016 due to this year still being under audit for some schools.

Total/Highest/Lowest All Districts Served

2015		2014		2013	
39,896		40,573		41,095	
<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
\$68,949	\$26,925	\$68,832	\$26,299	\$69,030	\$25,674
\$12,187	\$7,867	\$11,800	\$7,888	\$14,357	\$7,508
74.8%	26.4%	73.7%	25.6%	79.0%	31.3%
57.7%	17.9%	55.7%	18.5%	54.2%	2.1%
9.4%	3.2%	10.6%	3.0%	14.5%	3.6%
88.43	28.92	86.93	29.09	86.93	29.17
\$72,289	\$49,621	\$72,038	\$50,783	\$73,313	\$50,781
96.80	92.70	96.40	93.60	96.40	93.60
330.80	54.30	270.30	51.65	276.26	51.06
17.38	14.90	22.91	16.79	22.91	15.60
96.20	92.50	96.30	93.30	96.30	93.30
98.70	81.60	97.60	83.00	97.60	83.00

Summit County Educational Service Center
Summit County, Ohio
Number of Employees by Function/Program
Last Ten Fiscal Years

Governmental Employees by Function/Program (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Instruction:				
Regular	32	32	44	19
Special	92	102	91	91
Vocational	2	2	1	1
Support Services:				
Pupils	75	80	75	75
Instructional Staff	41	41	47	65
Administration	35	40	40	30
Fiscal	3	3	3	3
Business	3	3	1	1
Operation and Maintenance of Plant	5	5	2	1
Central	16	16	16	16
Extracurricular	2	2	1	1
Total employees	<u>306</u>	<u>326</u>	<u>321</u>	<u>303</u>

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

Source: Service Center payroll records

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
14	8	8	8	8	6
71	101	101	96	96	104
1	1	1	1	1	1
69	58	58	55	55	56
61	38	38	36	35	38
29	12	12	12	12	10
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	2	1
16	16	16	15	15	16
1	1	1	1	1	1
<u>267</u>	<u>240</u>	<u>240</u>	<u>229</u>	<u>229</u>	<u>237</u>

Summit County Educational Service Center
Summit County, Ohio
Capital Assets by Function/Program (1)
Last Ten Fiscal Years

	2016	2015	2014
Instruction:			
Regular			
Furniture and Equipment	\$ 465	\$ 1,263	\$ 2,060
Special			
Building and Improvements	271,257	278,212	285,167
Furniture and Equipment	31,520	25,526	29,858
Support Services:			
Pupils			
Furniture and Equipment	4,750	0	0
Instructional Staff			
Building and Improvements	68,068	69,814	71,559
Furniture and Equipment	365	2,426	6,168
Administration			
Building and Improvements	693,474	711,255	729,037
Furniture and Equipment	1,845	2,360	611
Fiscal			
Furniture and Equipment	1,193	2,439	4,287
Business			
Vehicles	15,851	17,832	0
Operation and Maintenance of Plant			
Land	207,778	207,778	207,778
Building and Improvements	474,752	486,925	499,098
Furniture and Equipment	22,633	27,107	11,367
Central			
Furniture and Equipment	0	0	0
	<u>\$ 1,793,951</u>	<u>\$ 1,832,937</u>	<u>\$ 1,846,990</u>

Source: Service Center records

(1) Amounts are net of accumulated depreciation.

2013	2012	2011	2010	2009	2008	2007
\$ 2,858	\$ 3,656	\$ 0	\$ 0	\$ 0	\$ 0	\$ 337
292,122	299,078	306,031	312,987	319,944	105,468	107,712
29,679	0	361	3,235	7,771	12,411	17,464
0	0	0	0	0	0	0
73,304	75,050	76,795	78,540	80,286	82,031	83,776
10,197	20,123	26,179	30,390	39,529	26,657	32,687
746,818	764,595	782,381	800,161	817,943	269,530	275,265
1,221	2,603	6,665	10,729	14,790	18,853	9,938
6,136	7,984	9,969	6,988	8,237	9,600	11,038
0	0	0	2,634	7,901	7,901	10,535
207,778	207,778	207,778	207,778	207,778	207,778	207,778
511,271	523,445	535,618	547,790	559,965	128,905	131,648
15,017	20,154	33,538	43,188	78,955	113,662	141,187
0	0	0	0	0	0	104
<u>\$ 1,896,401</u>	<u>\$ 1,924,466</u>	<u>\$ 1,985,315</u>	<u>\$ 2,044,420</u>	<u>\$ 2,143,099</u>	<u>\$ 982,796</u>	<u>\$ 1,029,469</u>

Summit County Educational Service Center

Summit County, Ohio

Ratio of Outstanding Debt to Personal Income and Debt per Member District

Last Ten Fiscal Years

Year	Capital Lease	Total Debt	Average Personal Income Per Member District	Percentage of Total Debt to Personal Income	Outstanding Debt Per Member District
2016	\$ 662,264	\$ 662,264	\$ 675,146,726	0.10%	\$ 41,392
2015	743,211	743,211	675,146,726	0.11%	46,451
2014	821,119	821,119	759,139,573	0.11%	51,320
2013	896,103	896,103	671,312,708	0.13%	56,006
2012	968,272	968,272	643,929,184	0.15%	60,517
2011	1,037,732	1,037,732	637,606,812	0.16%	64,858
2010	1,110,139	1,110,139	654,388,941	0.17%	69,384
2009	1,185,133	1,185,133	639,958,892	0.19%	74,071
2008	1,257,128	1,257,128	639,958,892	0.20%	78,571
2007	35,784	35,784	606,079,400	0.01%	2,237
2006	44,777	44,777	607,010,035	0.01%	2,799

Source: Ohio Department of Taxation



Dave Yost • Auditor of State

SUMMIT COUNTY EDUCATIONAL SERVICE CENTER

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2017**