



Mary Taylor, CPA
Auditor of State

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875-8657

To the Governing Board:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2008, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the ESC's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual provide additional information and are not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual and the federal awards receipts and expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

February 5, 2008

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

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

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$206,623 which represents a 4.76% decrease from 2006.
- General revenues accounted for \$975,912 in revenue or 15.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,155,011 or 84.08% of total revenues of \$6,130,923.
- The ESC had \$6,337,546 in expenses related to governmental activities; \$5,155,011 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$975,912 were not adequate to provide for these programs.
- The ESC's major governmental funds are the General fund, the IDEA Part B Grants fund, and the Miscellaneous Federal Grants fund. The General fund had \$2,925,717 in revenues and \$3,162,035 in expenditures. During fiscal year 2007, the General fund's balance decreased \$236,318 from \$795,124 to \$558,806.
- The IDEA Part B Grants fund had \$1,578,013 in revenues and \$1,631,177 in expenditures. During fiscal year 2007, the IDEA Part B Grants fund's balance decreased \$53,164 from \$122,741 to \$69,577.
- The Miscellaneous Federal Grants fund had \$448,380 in revenues and \$466,666 in expenditures. During fiscal year 2007, the Miscellaneous Federal Grants fund's balance decreased \$18,286 from \$39,186 to \$20,900.

Using these Basic Financial Statements

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the ESC's programs and services, including instruction, support services, operation and maintenance of plant, and pupil transportation.

Reporting the ESC's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's major governmental funds are the General fund, the IDEA Part B Grants fund, and the Miscellaneous Federal Grants fund.

Governmental Funds

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

Reporting the ESC's Fiduciary Responsibilities

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the ESC's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The ESC as a Whole

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

The table below provides a summary of the ESC's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$1,840,159	\$2,005,419
Capital assets	<u>4,181,331</u>	<u>4,217,147</u>
Total assets	<u>\$6,021,490</u>	<u>\$6,222,566</u>
<u>Liabilities</u>		
Current liabilities	\$572,662	\$568,899
Long-term liabilities	<u>1,328,331</u>	<u>1,326,547</u>
Total liabilities	<u>1,900,993</u>	<u>1,895,446</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,382,924	3,370,466
Restricted	693,509	639,421
Unrestricted	<u>44,064</u>	<u>317,233</u>
Total net assets	<u>\$4,120,497</u>	<u>\$4,327,120</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the ESC's assets exceeded liabilities by \$4,120,497. Of this total, \$44,064 is unrestricted in use.

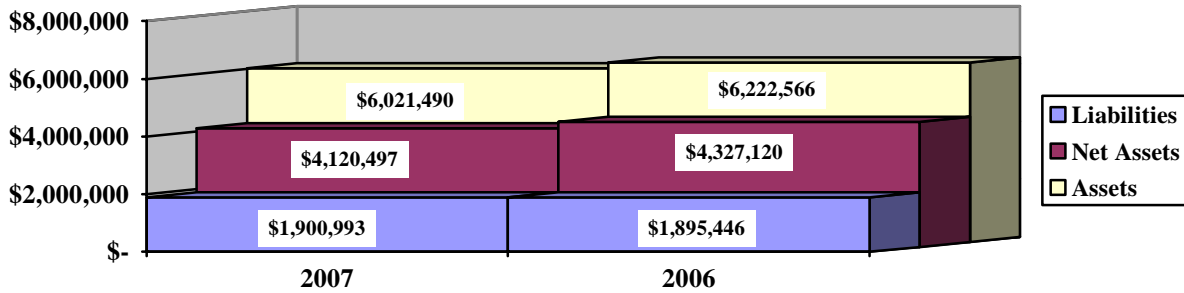
At year-end, capital assets represented 69.44% of total assets. Capital assets include land, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$3,382,924. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC'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 ESC's net assets, \$693,509, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$44,064 may be used to meet the ESC's ongoing obligations to the students and creditors.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities



The table below shows the change in net assets for fiscal year 2007 and 2006.

	Change in Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$1,949,805	\$2,033,569
Operating grants and contributions	3,205,206	3,266,207
Capital grants and contributions		2,681,534
General revenues:		
Grants and entitlements	890,952	941,576
Investment earnings	64,640	43,918
Other	20,320	55,312
Total revenues	6,130,923	9,022,116

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

	Change in Net Assets	
	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$302,868	\$469,462
Special	946,975	806,499
Adult/continuing	73,386	82,146
Support services:		
Pupil	764,636	868,919
Instructional staff	1,682,297	1,536,593
Board of education	25,480	32,098
Administration	168,268	246,875
Fiscal	206,397	230,215
Operations and maintenance	220,964	77,000
Pupil transportation	64,782	53,081
Central	56,236	65,453
Operations of non-instructional services	151,155	96,371
Intergovernmental pass-through	1,631,177	1,475,047
Interest and fiscal charges	42,925	40,782
Total expenses	<u>6,337,546</u>	<u>6,080,541</u>
Change in net assets	(206,623)	2,941,575
Net assets at beginning of year	<u>4,327,120</u>	<u>1,385,545</u>
Net assets at end of year	<u><u>\$4,120,497</u></u>	<u><u>\$4,327,120</u></u>

Governmental Activities

Net assets of the ESC's governmental activities decreased \$206,623. Total governmental expenses of \$6,337,546 were offset by program revenues of \$5,155,011 and general revenues of \$975,912. Program revenues supported 81.34% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from operating grants and contributions. These revenue sources represent 52.28% of total governmental revenue.

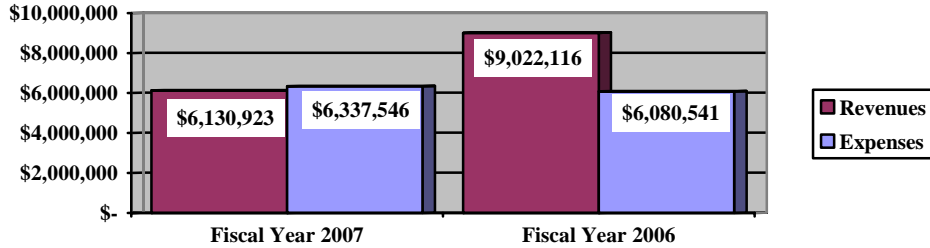
The largest expense of the ESC is for instructional staff programs. Instructional staff expenses totaled \$1,682,297 or 26.54% of total governmental expenses for fiscal 2007.

The graph below presents the ESC's governmental activities revenue and expenses for fiscal year 2007 and 2006.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

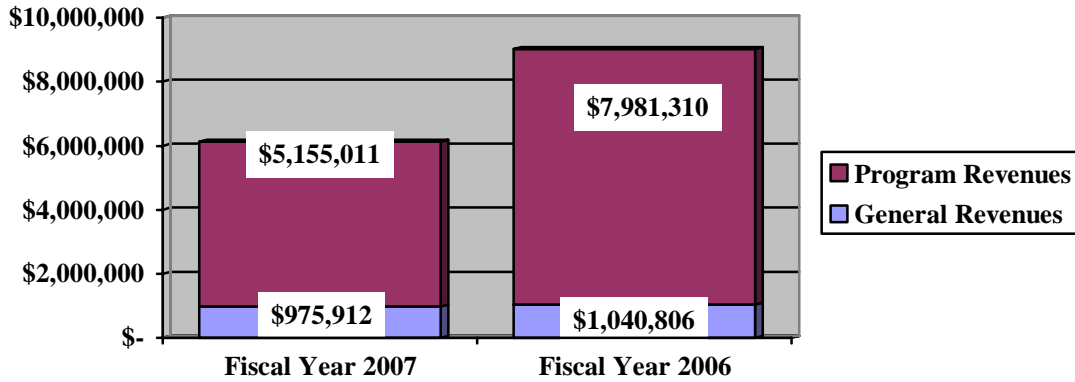
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Regular	\$302,868	(\$15,063)	\$469,462	\$226,160
Special	946,975	(1,972,095)	806,499	(4,639,460)
Adult/continuing	73,386	17,393	82,146	82,146
Support services:				
Pupil	764,636	173,816	868,919	776,506
Instructional staff	1,682,297	711,189	1,536,593	1,174,449
Board of education	25,480	25,480	32,098	(19,470)
Administration	168,268	114,190	246,875	(31,663)
Fiscal	206,397	176,237	230,215	(84,874)
Operations and maintenance	220,964	196,842	77,000	74,683
Pupil transportation	64,782	6,077	53,081	51,264
Central	56,236	6,414	65,453	61,230
Operations of non-instructional services	151,155	67,953	96,371	(1,087,569)
Intergovernmental pass-through	1,631,177	1,631,177	1,475,047	1,475,047
Interest and fiscal charges	42,925	42,925	40,782	40,782
Total expenses	\$6,337,546	\$1,182,535	\$6,080,541	(\$1,900,769)

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The graph below presents the ESC's governmental activities revenue for fiscal year 2007 and 2006.

Governmental Activities - General and Program Revenues



The dependence upon other general revenues for governmental activities is apparent, general revenue support is 18.66%. The ESC's operating grants and contributions, as a whole, are by far the primary support for ESC's students.

The ESC's Funds

The ESC's governmental funds reported a combined fund balance of \$742,815, which is lower than last year's total of \$1,044,587. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)	Percentage Change
General	\$558,806	\$795,124	(\$236,318)	-29.72%
IDEA Part B Grants	69,577	122,741	(53,164)	-43.31%
Miscellaneous Federal Grants	20,900	39,186	(18,286)	-46.66%
Other Governmental	93,532	87,536	5,996	6.85%
Total	\$742,815	\$1,044,587	(\$301,772)	-28.89%

General Fund

The ESC's General Fund balance decreased by \$236,318. The decrease in fund balance can be attributed to several items related to decreasing revenues and decreased expenditures. Expenditures exceed revenues for fiscal year 2007 by \$236,318.

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

	2007 Amount	2006 Amount	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Contract Services	\$1,679,749	\$1,694,903	(\$15,154)	-0.89%
Earnings on investments	64,640	43,918	20,722	47.18%
Intergovernmental	890,952	941,576	(50,624)	-5.38%
Other revenues	290,376	393,866	(103,490)	-26.28%
Total	<u>\$2,925,717</u>	<u>\$3,074,263</u>	<u>(\$148,546)</u>	-4.83%
<u>Expenditures</u>				
Instruction	\$929,098	\$858,998	\$70,100	8.16%
Support services	2,149,817	2,224,023	(74,206)	-3.34%
Capital outlay		1,074,466	(1,074,466)	-100.00%
Debt service	83,120	352,365	(269,245)	-76.41%
Total	<u>\$3,162,035</u>	<u>\$4,509,852</u>	<u>(\$1,347,817)</u>	-29.89%

IDEA Part B Grants Fund

The IDEA Part B Grants fund had \$1,578,013 in revenues and \$1,631,177 in expenditures. During fiscal year 2007, the IDEA Part B Grants fund's fund balance decreased \$53,164 from \$122,741 to \$69,577.

Miscellaneous Federal Grants Fund

The Miscellaneous Federal Grants fund had \$448,380 in revenues and \$466,666 in expenditures. During fiscal year 2007, the Miscellaneous Federal Grants fund's balance decreased \$18,286 from \$39,186 to \$20,900.

General Fund Budgeting Highlights

The ESC's budget is prepared according to guidelines established by the Governing Board and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2007, the ESC amended its General Fund budget several times. For the General Fund, original budgeted revenues and other financing sources were \$2,797,704 and final budgeted revenues and other financing sources were \$2,837,952. Actual revenues and other financing sources for fiscal 2007 was \$3,057,733. This represents a \$219,781 increase over final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$3,869,998 were increased to \$3,951,561 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$3,259,940, which was \$691,621 less than the final budget appropriations.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the ESC had \$4,181,331 invested in land, buildings and improvements, furniture and equipment, and vehicles, net of accumulated depreciation. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$156,000	\$156,000
Building and improvements	3,782,871	3,836,169
Furniture and equipment	226,767	206,235
Vehicles	15,693	18,743
Total	\$4,181,331	\$4,217,147

The overall decrease in capital assets is due to depreciation expense of \$99,084 and disposals of \$6,827 (net of accumulated depreciations) exceeding capital outlays of \$70,095 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2007, the ESC had \$798,407 in capital lease obligations outstanding. Of this total, \$41,894 is due within one year and \$756,513 is due within greater than one year. The following table summarizes the capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental	Governmental
	Activities	Activities
	2007	2006
Capital lease obligations	\$798,407	\$846,681

See Note 9 to the basic financial statements for additional information on the ESC's debt administration.

Current Financial Related Activities

Overall, the Educational Service Center is strong financially. As the preceding information shows, the ESC relies heavily upon grants, Special Education billings from the local districts, and state foundation payments. State funding is predicted to be flat for the next several years impacting the ESC and its local districts.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The challenge for the ESC's Management is to continue to provide the resources necessary to meet student needs and be able to stay within our budget for the year. The ESC has anticipated a lower than normal increase in funding due to declining enrollment in the county. This not only impacts the ESC's income, but that of our local schools.

Another challenge facing the ESC is the maintenance and renting of a new facility that houses our offices, as well as, a higher education facility with six flexible classrooms. The cost of the facility is around \$3,300,000, with our investment being \$1,000,000 over a 20 year lease purchase agreement with the Village of Ottawa. A grant from the Economic Development Administration and the Village of Ottawa will be contributing the remaining portion of the funding.

The last challenge facing the ESC is the continued talk of regionalization of services for education in Ohio. To date the outlook of this is looking more favorable to ESCs and we do not see any major changes to our operations in the next several years.

The ESC's system of budgeting and internal controls is well regarded. All of the ESC's financial abilities will be needed to meet the financial challenges of the future.

Contacting the ESC's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Michael Siebeneck, Treasurer, Putnam County ESC, 124 Putnam Parkway, Ottawa, Ohio 45875-8657.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$1,163,339
Receivables:	
Accounts	21,921
Intergovernmental	654,899
Capital assets:	
Land	156,000
Depreciable capital assets, net	<u>4,025,331</u>
 Total assets	 <u><u>\$6,021,490</u></u>
 Liabilities:	
Accrued wages and benefits	\$475,015
Pension obligation payable	84,082
Intergovernmental payable	10,411
Deferred revenue	
Accrued interest payable	3,154
Long-term liabilities:	
Due within one year	201,761
Due within more than one year	<u>1,126,570</u>
 Total liabilities	 <u><u>1,900,993</u></u>
 Net Assets:	
Invested in capital assets, net of related debt	3,382,924
Restricted for:	
Locally funded programs	5,863
State funded programs	28,499
Federally funded programs	659,147
Unrestricted	<u>44,064</u>
 Total net assets	 <u><u>\$4,120,497</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$302,868	\$125,792	\$192,139	\$15,063
Special	946,975	1,811,125	1,107,945	1,972,095
Adult/continuing	73,386		55,993	(17,393)
Support services:				
Pupil	764,636		590,820	(173,816)
Instructional staff	1,682,297		971,108	(711,189)
Board of education	25,480			(25,480)
Administration	168,268		54,078	(114,190)
Fiscal	206,397		30,160	(176,237)
Operations and maintenance	220,964	11,256	12,866	(196,842)
Pupil transportation	64,782		58,705	(6,077)
Central	56,236		49,822	(6,414)
Operation of non-instructional services	151,155	1,632	81,570	(67,953)
Intergovernmental pass-through	1,631,177			(1,631,177)
Interest and fiscal charges	42,925			(42,925)
Total governmental activities	\$6,337,546	\$1,949,805	\$3,205,206	(1,182,535)
 General Revenues:				
				890,952
				64,640
				20,320
				975,912
				(206,623)
				4,327,120
				\$4,120,497

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>IDEA Part B Grants</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$1,034,465	\$73,096		\$55,778	\$1,163,339
Receivables:					
Accounts	21,921				21,921
Intergovernmental		412,689	\$102,715	139,495	654,899
Interfund receivable	<u>7,477</u>				<u>7,477</u>
 Total assets	 <u>\$1,063,863</u>	 <u>\$485,785</u>	 <u>\$102,715</u>	 <u>\$195,273</u>	 <u>\$1,847,636</u>
Liabilities:					
Accrued wages and benefits	\$423,756	\$9,936	\$20,590	\$20,733	\$475,015
Pension obligation payable	73,650	2,068	3,753	4,611	84,082
Intergovernmental payable	7,651	1,373	531	856	10,411
Interfund payable			5,880	1,597	7,477
Deferred revenue		<u>402,831</u>	<u>51,061</u>	<u>73,944</u>	<u>527,836</u>
 Total liabilities	 <u>505,057</u>	 <u>416,208</u>	 <u>81,815</u>	 <u>101,741</u>	 <u>1,104,821</u>
Fund Balances:					
Reserved for encumbrances	37,554	19,141	27,379	33,734	117,808
Unreserved, undesignated (deficit), reported in:					
General fund	521,252				521,252
Special revenue funds		<u>50,436</u>	<u>(6,479)</u>	<u>59,798</u>	<u>103,755</u>
 Total fund balances	 <u>558,806</u>	 <u>69,577</u>	 <u>20,900</u>	 <u>93,532</u>	 <u>742,815</u>
 Total liabilities and fund balances	 <u>\$1,063,863</u>	 <u>\$485,785</u>	 <u>\$102,715</u>	 <u>\$195,273</u>	 <u>\$1,847,636</u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007**

Total governmental fund balances		\$742,815
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,181,331
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Intergovernmental revenue	<u>\$527,836</u>	
Total		527,836
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Capital lease obligation	798,407	
Compensated absences	529,924	
Accrued interest payable	<u>3,154</u>	
Total		<u>(1,331,485)</u>
Net assets of governmental activities		<u><u>\$4,120,497</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>IDEA Part B Grants</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Tuition	\$125,792				\$125,792
Earnings on investments	64,640				64,640
Contract services	1,679,749				1,679,749
Other local revenues	164,584				164,584
Intergovernmental - Intermediate	80,000			\$50	80,050
Intergovernmental - State	801,201			600,638	1,401,839
Intergovernmental - Federal	9,751	\$1,578,013	\$448,380	445,533	2,481,677
Total revenues	<u>2,925,717</u>	<u>1,578,013</u>	<u>448,380</u>	<u>1,046,221</u>	<u>5,998,331</u>
Expenditures:					
Current:					
Instruction:					
Regular	112,081		133,743	54,405	300,229
Special	815,846		1,332	81,758	898,936
Adult/continuing	1,171			72,215	73,386
Support services:					
Pupil	567,358		40,882	158,740	766,980
Instructional staff	1,020,731		197,168	433,010	1,650,909
Board of education	25,480				25,480
Administration	135,066			35,425	170,491
Fiscal	193,340		2,000	9,911	205,251
Operations and maintenance	205,737			19,564	225,301
Pupil transportation			34,052	30,730	64,782
Central	2,105		46,131	8,000	56,236
Operation of non-instructional services			11,358	128,231	139,589
Intergovernmental pass-through		1,631,177			1,631,177
Debt service:					
Principal retirement	40,141			8,133	48,274
Interest and fiscal charges	42,979			103	43,082
Total expenditures	<u>3,162,035</u>	<u>1,631,177</u>	<u>466,666</u>	<u>1,040,225</u>	<u>6,300,103</u>
Net change in fund balances	(236,318)	(53,164)	(18,286)	5,996	(301,772)
Fund balances at beginning of year	795,124	122,741	39,186	87,536	1,044,587
Fund balances at end of year	<u>\$558,806</u>	<u>\$69,577</u>	<u>\$20,900</u>	<u>\$93,532</u>	<u>\$742,815</u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Net change in fund balances - total governmental funds (\$301,772)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$99,084) exceeded capital outlays (\$70,095) in the current period. (28,989)

The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, sales, trade-ins, and donations) is to decrease net assets. (6,827)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 132,592

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 48,274

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on the capital lease obligation. 157

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (50,058)

Change in net assets of governmental activities (\$206,623)

See accompanying notes to the basic financial statements

EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$66,167
Receivables:	
Intergovernmental	<u>8,298</u>
Total assets	<u><u>\$74,465</u></u>
Liabilities:	
Accounts payable	\$6,873
Accrued wages and benefits	4,473
Pension obligation payable	1,458
Due to other governments	<u>61,661</u>
Total liabilities	<u><u>\$74,465</u></u>

See accompanying notes to the basic financial statements

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Putnam County Educational Service Center (the ESC) is the successor to the former Putnam County Board of Education. County boards of education were formed in Ohio as a result of the passage of Senate Bill 9 in 1914. In 1995, Am. Sub. H.B. 117 authorized the creation of Educational Service Centers and abolished county school districts. That legislation also changed the "Board of Education" to the "Governing Board". On July 1, 1995, the Putnam County Board of Education formally adopted these changes and thus became the "Governing Board of the Putnam County Educational Service Center".

The Governing Board consists of five members elected by the voters of the County. This board acts as the authorizing body for expenditures, policies and procedures, and approves all financial activities. The ESC is staffed by 50 certificated employees (including administrative) and 40 non-certificated employees to provide services to approximately 6,553 students in 9 districts throughout the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The ESC is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio, 45804.

Millstream Career Cooperative

The Millstream Career Cooperative ("Millstream") is a distinct political subdivision of the State of Ohio established under Section 3313.90. Millstream operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to Michael Barnhart, Treasurer, Findlay City Schools, at 227 South West Street, Findlay, Ohio, 45840-3377.

The ESC also participates in a group purchasing pool for insurance, described in Note 10.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

IDEA Part B Grants Fund - A special revenue fund used to account for grant monies to assist states in providing an appropriate public education to all children with disabilities.

Miscellaneous Federal Grants Fund - A special revenue fund used to account for various monies received directly from the federal government, or from the federal government through state agencies, which are not classified in another special revenue fund.

Other governmental funds of the ESC are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (b) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency fund accounts for monies held for other governmental entities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and 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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the ESC, available means expected to be received within sixty days of fiscal year-end.

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

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

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

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

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

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

E. Budgets

There are no budgetary requirements for educational service centers identified in the Ohio Revised Code, nor does the State Department of Education specify any budgetary guidelines to be followed.

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

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

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as certificates of deposits, are reported at cost.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Governing Board, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$64,640, which includes \$11,003 assigned from other funds.

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

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2007, the ESC maintained its capitalization threshold at \$1,000. 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. The ESC does not possess infrastructure.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	20 - 50 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 10 years

H. Interfund Balances

On 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 on the Statement of Net Assets. As of June 30, 2007, the ESC had \$7,477 of interfund receivables in the general fund and payable from various special revenue funds.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance Reserves

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

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

L. Net Assets

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

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

M. Estimates

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

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

NOTE 3 - COMPLIANCE

Fund balances at June 30, 2007, included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Alternative Schools	\$75
IDEA Preschool - Handicapped	29

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all ESC deposits was \$1,229,506. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$504,265 of the ESC's bank balance of \$1,460,651 was covered by the Federal Deposit Insurance Corporation, while \$956,386 was exposed to custodial risk as discussed below.

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC.

B. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per Note Disclosure:</u>	
Carrying amount of deposits	\$1,229,506
Total	<u>\$1,229,506</u>

<u>Cash and Investments per Statement of Net Assets:</u>	
Governmental activities	\$1,163,339
Agency funds	66,167
Total	<u>\$1,229,506</u>

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007, consisted of the following interfund loans receivable and payable, as reported in the fund financial statements:

<u>Interfund loans receivable in the General fund:</u>	<u>Amount</u>
Miscellaneous Federal Grants fund	\$5,880
Nonmajor Governmental funds	<u>1,597</u>
Total	<u><u>\$7,477</u></u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the Statement of Net Assets.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2007, consisted of accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of state programs and the current year guarantee of federal funds. A summary of the receivables reported on the Statement of Net Assets is as follows:

<u>Governmental Activities:</u>	
Accounts	\$21,921
Intergovernmental	<u>654,899</u>
Total	<u><u>\$676,820</u></u>

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

**EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 7 - CAPITAL ASSETS

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

	Balance 07/01/06	Additions	Deductions	Balance 06/30/07
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$156,000			\$156,000
<i>Total capital assets, not being depreciated</i>	<u>156,000</u>			<u>156,000</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	3,938,690			3,938,690
Equipment and furniture	804,579	\$70,095	(\$106,968)	767,706
Vehicles	30,088		(5,001)	25,087
<i>Total capital assets, being depreciated</i>	<u>4,773,357</u>	<u>70,095</u>	<u>(111,969)</u>	<u>4,731,483</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(102,521)	(53,298)		(155,819)
Equipment and furniture	(598,344)	(43,278)	100,683	(540,939)
Vehicles	(11,345)	(2,508)	4,459	(9,394)
<i>Total accumulated depreciation</i>	<u>(712,210)</u>	<u>(99,084)</u>	<u>105,142</u>	<u>(706,152)</u>
Governmental activities capital assets, net	<u>\$4,217,147</u>	<u>(\$28,989)</u>	<u>(\$6,827)</u>	<u>\$4,181,331</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$1,609
Special	23,087
<u>Support Services:</u>	
Pupil	5,227
Instructional staff	16,341
Administration	6,593
Fiscal	1,505
Operations and maintenance	44,722
Total depreciation expense	<u>\$99,084</u>

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the ESC entered into lease agreements for a building, a modular classroom, copiers, and a postage machine. The terms of these lease agreements provide options to purchase the assets. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting For Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 8 - CAPITAL LEASES - LESSEE DISCLOSURE – (Continued)

Capital lease payments have been reclassified and are reflected as debt service expenditures on the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Governmental capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum payments as of the dates of their inception. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net assets. During fiscal 2007, principal payments equaled \$48,274 and interest payments equaled \$43,082. These amounts are reflected as debt service expenditures in the fund financial statements.

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

<u>Year Ending June 30</u>	<u>Payments</u>
2008	\$82,365
2009	82,365
2010	77,421
2011	62,589
2012	62,589
2013 - 2017	312,945
2018 - 2022	312,945
2023 - 2026	219,061
Total future minimum lease payments	1,212,280
Less: amount representing interest	(413,873)
Present value of future minimum lease payments	\$798,407

The ESC does not have any capital lease obligations after fiscal year 2026.

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in the ESC's governmental activities long-term obligations during the year were as follows:

	<u>Balance 07/01/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/07</u>	<u>Amounts Due in One Year</u>
<u>Governmental Activities:</u>					
Capital lease obligation	\$846,681		(\$48,274)	\$798,407	\$41,894
Compensated absences	479,866	\$104,755	(54,697)	529,924	159,867
Total long-term obligations	\$1,326,547	\$104,755	(\$102,971)	\$1,328,331	\$201,761

Compensated absences will be paid out of the fund from which the employee is paid, which is primarily the General fund. See Note 8 regarding the capital lease obligation.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - RISK MANAGEMENT

A. Risk Pool Membership

The ESC is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 65 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the ESC's policy. SORSA covers the following risks:

- General Liability
- Commercial Liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Commercial Umbrella
- Vehicle

The ESC contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The ESC's contributions cover deductible losses, loss fund contributions, insurance costs, and administrative costs.

The ESC paid \$9,631 in premiums to the pool for fiscal year 2007 coverage. Settled claims have not exceeded this coverage in any of the past three years.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio, 43235-6483

B. Employee Group Health, Dental, and Prescription Drugs

The ESC participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. The ESC converted its fully-insured medical insurance program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claims review and processing. The ESC maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

C. Workers' Compensation

For fiscal year 2007, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 10 - RISK MANAGEMENT – (Continued)

A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan’s selection criteria. The firm of Gates, McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

The ESC contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS’ website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The ESC’s required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005, were \$122,061, \$122,692, and \$119,690; 100 percent has been contributed for fiscal years 2007, 2006, and 2005. There is no unpaid contribution for fiscal year 2007, and there is no liability recorded within the respective funds.

B. State Teachers Retirement System

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 11 - PENSION PLANS – (Continued)

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$338,464, \$343,158, and \$334,586; 100 percent has been contributed for fiscal years 2007, 2006, and 2005. There is no unpaid contribution for fiscal year 2007, and there is no liability recorded within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$2,678 made by the ESC and \$5,903 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2007, certain members of the Board have elected Social Security. The ESC's liability is 6.2% of wages paid.

**EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the ESC, this amount equaled \$26,036 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, ESC paid \$37,944 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**EDUCATIONAL SERVICE CENTER
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

NOTE 13 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

The ESC is involved in no material litigation as either plaintiff or defendant.

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Tuition	\$109,901	\$111,482	\$120,015	\$8,533
Contract services	1,495,293	1,516,804	1,632,900	116,096
Earnings on investments	34,504	35,000	64,640	29,640
Other local revenues	253,355	257,000	320,135	63,135
Intergovernmental - Intermediate	78,865	80,000	80,000	
Intergovernmental - State	797,108	808,575	801,201	(7,374)
Intergovernmental - Federal			9,751	9,751
Total revenues	<u>2,769,026</u>	<u>2,808,861</u>	<u>3,028,642</u>	<u>219,781</u>
Expenditures:				
Current:				
Instruction:				
Regular	134,087	136,913	120,754	16,159
Special	856,423	874,473	809,167	65,306
Other			1,171	(1,171)
Support services:				
Pupil	618,246	631,276	576,856	54,420
Instructional staff	1,291,533	1,318,754	1,052,175	266,579
Board of education	83,574	85,335	25,478	59,857
Administration	436,540	445,740	177,198	268,542
Fiscal	235,128	240,083	214,384	25,699
Operations and maintenance	185,086	188,987	273,652	(84,665)
Central	9,794	10,000	9,105	895
Total expenditures	<u>3,850,411</u>	<u>3,931,561</u>	<u>3,259,940</u>	<u>671,621</u>
Excess of expenditures over revenues	<u>(1,081,385)</u>	<u>(1,122,700)</u>	<u>(231,298)</u>	<u>891,402</u>
Other financing sources (uses):				
Advances in	28,678	29,091	29,091	
Advances out	(19,587)	(20,000)		20,000
Total other financing sources (uses)	<u>9,091</u>	<u>9,091</u>	<u>29,091</u>	<u>20,000</u>
Net change in fund balance	(1,072,294)	(1,113,609)	(202,207)	911,402
Fund balance at beginning of year	1,155,281	1,155,281	1,155,281	
Prior year encumbrances appropriated	51,314	51,314	51,314	
Fund balance at end of year	<u>\$134,301</u>	<u>\$92,986</u>	<u>\$1,004,388</u>	<u>\$911,402</u>

See accompanying notes to supplemental information

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
IDEA PART B GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$243,448	\$2,106,788	\$1,667,886	(\$438,902)
Expenditures:				
Current:				
Instruction:				
Regular	4,602	6,840	4,814	2,026
Special	155,527	1,075,873	808,425	267,448
Support services:				
Pupil	22,492	450,694	416,379	34,315
Instructional staff	58,917	526,182	362,596	163,586
Administration	18,164	26,997	26,497	500
Fiscal	12,194	18,124	18,095	29
Pupil transportation	483	718	718	
Operation of non-instructional services	19,047	28,309	3,356	24,953
Total expenditures	<u>291,426</u>	<u>2,133,737</u>	<u>1,640,880</u>	<u>492,857</u>
Excess of revenues over (under) expenditures	<u>(47,978)</u>	<u>(26,949)</u>	<u>27,006</u>	<u>53,955</u>
Other financing uses:				
Advances out			(12,338)	(12,338)
Net change in fund balance	(47,978)	(26,949)	14,668	41,617
Fund deficit at beginning of year	(9,205)	(9,205)	(9,205)	
Prior year encumbrances appropriated	48,492	48,492	48,492	
Fund balance (deficit) at end of year	<u>(\$8,691)</u>	<u>\$12,338</u>	<u>\$53,955</u>	<u>\$41,617</u>

See accompanying notes to supplemental information

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MISCELLANEOUS FEDERAL GRANTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental - Federal	\$30,760	\$538,782	\$447,273	(\$91,509)
Expenditures:				
Current:				
Instruction:				
Regular	4,368	142,061	137,805	4,256
Special	3,685	1,185	1,333	(148)
Support services:				
Pupil	9,118	14,119	41,382	(27,263)
Instructional staff	41,932	224,518	192,728	31,790
Fiscal	2,300	300	2,000	(1,700)
Pupil transportation		40,300	34,052	6,248
Central		45,833	46,098	(265)
Operation of non-instructional services	15,939	13,175	15,939	(2,764)
Total expenditures	<u>77,342</u>	<u>481,491</u>	<u>471,337</u>	<u>10,154</u>
Excess of revenues over (under) expenditures	<u>(46,582)</u>	<u>57,291</u>	<u>(24,064)</u>	<u>(81,355)</u>
Other financing uses:				
Advances out			(14,924)	(14,924)
Net change in fund balance	(46,582)	57,291	(38,988)	(96,279)
Fund deficit at beginning of year	(42,367)	(42,367)	(42,367)	
Prior year encumbrances appropriated	48,096	48,096	48,096	
Fund balance (deficit) at end of year	<u>(\$40,853)</u>	<u>\$63,020</u>	<u>(\$33,259)</u>	<u>(\$96,279)</u>

See accompanying notes to supplemental information

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General</u>	IDEA <u>Part B Grants</u>	Miscellaneous Federal <u>Grants Fund</u>
Budget basis	(\$202,207)	\$14,668	(\$38,988)
Net adjustment for revenue accruals	(102,925)	(89,873)	1,107
Net adjustment for expenditure accruals	60,351	(9,438)	(22,708)
Net adjustment for other sources/uses	(29,091)	12,338	14,924
Adjustment for encumbrances	<u>37,554</u>	<u>19,141</u>	<u>27,379</u>
GAAP basis	<u><u>(\$236,318)</u></u>	<u><u>(\$53,164)</u></u>	<u><u>(\$18,286)</u></u>

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDING JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF JUSTICE				
<i>Passed Through Ohio Department of Youth Services</i>				
Juvenile Justice and Delinquency Prevention Grant	16.540	2005-JJ-DP2-0061D	\$6,046	\$4,191
UNITED STATES DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Public Safety</i>				
State and Community Highway Safety	20.600	2006-69-00-00-00531	16,905	6,540
		2007-69-00-00-00611	8,717	18,905
Total Department of Transportation			<u>25,622</u>	<u>25,445</u>
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Twenty-First Century Community Learning Centers	84.287	049304-T1S1-06	25,317	31,046
		049304-T1S1-07	<u>237,548</u>	<u>243,461</u>
Total Twenty-First Century Community Learning Centers			<u>262,865</u>	<u>274,507</u>
Adult Education - State Grant Program	84.002	049304-AB-S1-05	12,000	12,000
		049304-AB-S1-06		1,158
		049304-AB-S1-07	x <u>17,189</u>	<u>16,872</u>
Total Adult Education - State Grant Program			<u>29,189</u>	<u>30,030</u>
Migrant Education - Basic State Grant Program	84.011	MGS1-06	107,554	112,366
		MGS1-07	<u>37,377</u>	<u>21,352</u>
Total Migrant Education - Basic State Grant Program			<u>144,931</u>	<u>133,718</u>
<u>Special Education Cluster</u>				
Special Education - Grants to States	84.027	049304-6B-SA-06	16,640	4,302
		049304-6B-SD-06	7,944	8,125
		049304-6B-SD-07	25,426	28,720
		049304-6B-SF-06		19,507
		049304-6B-SF-07	1,115,894	1,022,131
		049304-6B-II-06	236,892	256,491
		049304-6B-SX-06	<u>265,091</u>	<u>282,464</u>
Total Special Education - Grants to States			<u>1,667,887</u>	<u>1,621,740</u>
Special Education - Preschool Grant	84.173	049304-PGS1-07	<u>29,191</u>	<u>29,191</u>
Total Special Education Cluster			<u>1,697,078</u>	<u>1,650,931</u>

(Continued)

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDING JUNE 30, 2007
(Continued)**

FEDERAL GRANTOR <i>Pass through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Disbursements
LEP Consortium Grant	84.365	045930-T3-S1-2006	6,675	6,675
Even Start - State Educational Agencies	84.213	049304-EVS1-06 049304-EVS1-07	19,085 <u>233,343</u>	17,256 <u>231,522</u>
Total Even Start - State Educational Agencies			<u>252,428</u>	<u>248,778</u>
Total Department of Education			<u>2,393,166</u>	<u>2,344,639</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICES				
<i>Passed Through Ohio Department of Education</i>				
Learn and Serve America - School and Community Based Programs	94.004	049304-SVS1-06 049304-SVS1-07	639 <u>15,000</u>	433 <u>14,645</u>
Total Learn and Serve America - School and Community Based Programs			<u>15,639</u>	<u>15,078</u>
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>				
Medical Assistance Program (CAFS)	93.778	6900134	9,751	
<i>Direct Assistance</i>				
Drug Free Communities Support Program Grants	93.276	1H79SP13097-01 5H79SP13097-02	33,416 <u>71,584</u>	29,446 <u>60,200</u>
Total Drug Free Communities Support Program Grant			<u>105,000</u>	<u>89,646</u>
Total Department of Health and Human Services			<u>114,751</u>	<u>89,646</u>
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed Through Putnam County Jobs and Family Services</i>				
Workforce Investment Act Youth Activities	17.259		<u>38,147</u>	<u>39,281</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$2,593,371</u></u>	<u><u>\$2,518,280</u></u>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

x = total includes moving the 2006 grant carryover of \$1,040 posted as a disbursement to the 2006 grant and a receipt receipt to the 2007 grant

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the ESC's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

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

NOTE C - MEDICAL ASSISTANCE PROGRAM

The Ohio Department of Jobs and Family Services conducted a final review of the Medical Assistance Program, CFDA #93.778, administered by the Ohio Department of Mental Retardation and Developmental Disabilities on behalf of the ESC for the period July 1, 1999, through June 30, 2000. The review resulted in a payment to the ESC in the amount of \$9,751. This payment is for services rendered prior to June 30, 2006, and therefore the cost of those services is not reported as a disbursement on the FY 2007 Schedule.



Mary Taylor, CPA

Auditor of State

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

Educational Service Center
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875-8657

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Putnam County Educational Service Center, Putnam County, Ohio (the ESC) as of and for the year ended June 30, 2007, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated February 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

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

We noted certain internal control matters that we reported to the ESC's management in a separate letter dated February 5, 2008.

Compliance and Other Matters

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

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

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



Mary Taylor, CPA
Auditor of State

February 5, 2008



Mary Taylor, CPA

Auditor of State

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

Educational Service Center
Putnam County
124 Putnam Parkway
Ottawa, Ohio 45875-8657

To the Governing Board:

Compliance

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

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

In our opinion, the Putnam County Educational Service Center complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 5, 2008

**EDUCATIONAL SERVICE CENTER
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2007-001

Significant Deficiency

Monitoring Financial Statements

Accurate financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements accurately reflects the ESC's activity.

The 2007 financial statements contained material errors, such as the following:

- Intergovernmental Receivables in the amount of \$375,525 were not included in the balances on the Statement of Net Assets and the Balance Sheet.
- Administrative Fees associated with the Special Education Cluster (Grants to States and Preschool Grants) in the amount of \$39,205 were paid from the General Fund and reimbursed by the grant rather than paid from the grant funds initially.

Ten adjusting entries were posted to the financial statements to correct these and other errors.

To ensure the ESC's financial statements and notes to the statements are complete and accurate, the Governing Board should adopt policies and procedures, including a final review of the financial statements, management's discussion and analysis, and notes to the financial statements by the ESC Treasurer and the Governing Board, to identify and correct errors and omissions.

Officials' Response

A grant was not entered at the beginning of the year due to it not being approved until after initial receivables were set.

Administrative fees are budgeted to grants under the 2400-800 (function-object) code and salaries/benefits and rentals can not be taken directly from these accounts. In the future we will attempt to find a way to administer these differently.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

EDUCATIONAL SERVICE CENTER

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 6, 2008**