

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>  | <b>PAGE</b> |
|---|-------------|
| Independent Accountants' Report.....                                  | 1           |
| Management's Discussion and Analysis.....                             | 3           |
| Cash Basis Basic Financial Statements:                                |             |
| Government-Wide Financial Statements:                                 |             |
| Statement of Net Assets – Cash Basis .....                            | 13          |
| Statement of Activities – Cash Basis .....                            | 14          |
| Fund Financial Statements:  |             |
| Statement of Cash Basis Assets and Fund Cash Balances                 |             |
| Governmental Funds .....  | 15          |
| Statement of Cash Receipts, Cash Disbursements and Changes            |             |
| In Fund Cash Balances   |             |
| Governmental Funds .....  | 16          |
| Statement of Cash Receipts, Cash Expenses and                         |             |
| Changes in Net Cash Assets  |             |
| Proprietary Fund .....  | 17          |
| Statement of Cash Basis Assets and Net Cash Assets                    |             |
| Fiduciary Fund .....  | 18          |
| Notes to the Cash Basis Basic Financial Statements.....               | 19          |
| Supplemental Information:   |             |
| Budgetary Schedule:   |             |
| Schedule of Cash Receipts, Cash Disbursements and Changes In          |             |
| Fund Cash Balance – Budget and Actual (Budgetary Basis)               |             |
| General Fund .....  | 35          |
| Notes to the Supplemental Information.....                            | 36          |
| Federal Awards Receipts and Expenditures Schedule.....                | 37          |
| Notes to the Federal Awards Receipts and Expenditures Schedule .....  | 38          |
| Independent Accountants' Report on Internal Control Over              |             |
| Financial Reporting and on Compliance and Other Matters               |             |
| Required by <i>Government Auditing Standards</i> .....                | 39          |
| 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 .....                | 41          |
| Schedule of Findings.....   | 43          |

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Mid-Ohio Educational Service Center  
Richland County  
890 West Fourth Street, Suite 100  
Mansfield, Ohio 44906

To the Board of Governors:

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

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

Ohio Administrative Code § 117-2-03 (B) requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, as of June 30, 2007, and the respective changes in modified cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis and the budgetary comparison for the General Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board 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 Center's basic financial statements. The Federal Awards Receipts and Expenditures Schedule (the 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 not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures 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.



**Mary Taylor, CPA**  
Auditor of State

November 30, 2007

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

The discussion and analysis of the Mid-Ohio 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, within the limitations of the ESC's cash basis of accounting. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis 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 cash assets of governmental activities increased \$361,739 which represents an 8.14% increase from 2006.
- General cash receipts accounted for \$4,271,472 or 22.81% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$14,458,058 or 77.19% of total governmental activities cash receipts of \$18,729,530.
- The ESC had \$18,367,791 in cash disbursements related to governmental activities; \$14,458,058 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily unrestricted grants and entitlements) of \$4,271,472 were adequate to provide for these programs.
- The ESC's major governmental fund is the general fund. The general fund had \$15,094,133 in cash receipts and \$14,496,269 in cash disbursements and other financing uses. During fiscal year 2007, the general fund's fund cash balance increased \$597,864 from \$4,297,736 (which has been restated as described in Note 3 of the notes to the cash basis basic financial statements) to \$4,895,600.

**Using these Cash Basis Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the ESC's cash basis of accounting.

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

**Reporting the ESC as a Whole**

***Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis***

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 cash basis financial transactions and asks the question, "How did we do financially during 2007?" The *Statement of Net Assets – Cash Basis* and the *Statement of Activities – Cash Basis* answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

These two statements report the ESC's *net cash assets* and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the ESC as a whole, the *cash basis 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.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, the Governmental Activities include the ESC's programs and services, including instruction and support services.

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

**Reporting the ESC's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed 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 cash basis financial resources that can be spent in the near future to finance educational programs. Since the ESC is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 15-16 of this report.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

***Proprietary Funds***

The ESC maintains only one type of proprietary fund. The internal service fund is an accounting device used to accumulate and allocate costs internally among the ESC's various functions. The ESC maintains one internal service fund that accounts for the OME-RESA self-insurance program which provided medical/surgical, dental and vision to employees through December 31, 2005 and only run-out claims thereafter. The ESC is currently a member of the Stark County Council of Governments which provides medical, dental and vision benefits to employees. The cash basis proprietary fund financial statement can be found on page 17 of this report.

***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. Only the cash held at year end is reported in a separate Statement of Cash Basis Assets and Net Cash Assets - Fiduciary Fund Assets on page 18. This cash is excluded from the ESC's other financial statements because the cash cannot be utilized by the ESC to finance its operations.

***Notes to the Cash Basis Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the cash basis basic financial statements can be found on pages 19-34 of this report.

**The ESC as a Whole**

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

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

|  | <b>Net Cash Assets</b>             |                                    |
|--|------------------------------------|------------------------------------|
|  | Governmental<br>Activities<br>2007 | Governmental<br>Activities<br>2006 |
| <b><u>Assets</u></b>                       |                                    |                                    |
| Equity in pooled cash and cash equivalents | \$ 4,805,873                       | \$ 4,444,134                       |
| Total assets                               | <u>4,805,873</u>                   | <u>4,444,134</u>                   |
| <b><u>Net Cash Assets</u></b>              |                                    |                                    |
| Restricted                                 | 93,938                             | 339,119                            |
| Unrestricted                               | <u>4,711,935</u>                   | <u>4,105,015</u>                   |
| Total net cash assets                      | <u>\$ 4,805,873</u>                | <u>\$ 4,444,134</u>                |

Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the ESC's total net cash assets were \$4,805,873.

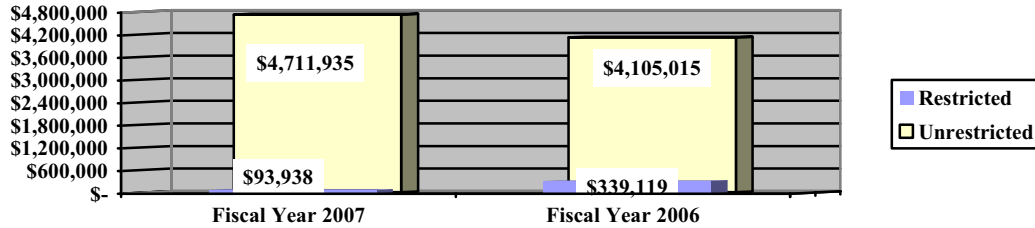
A portion of the ESC's net cash assets, \$93,938, represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$4,711,935 may be used to meet the ESC's ongoing obligations to students and creditors.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

The graph below presents the ESC's governmental activities restricted and unrestricted net cash assets for fiscal years 2007 and 2006.

**Governmental Activities - Restricted and Unrestricted Net Cash Assets**



The table below shows the change in net cash assets for fiscal years 2007 and 2006. Certain 2006 balances have been reclassified to conform to 2007 presentation.

**Change in Net Cash Assets**

|                                    | Governmental<br>Activities<br>2007 | Governmental<br>Activities<br>2006 |
|------------------------------------|------------------------------------|------------------------------------|
| <b><u>Cash Receipts</u></b>        |                                    |                                    |
| Program cash receipts:             |                                    |                                    |
| Charges for services and sales     | \$ 10,968,447                      | \$ 9,681,145                       |
| Operating grants and contributions | 3,489,611                          | 2,631,334                          |
| General cash receipts:             |                                    |                                    |
| Grants and entitlements            | 3,982,494                          | 4,372,934                          |
| Investment earnings                | 240,715                            | 198,591                            |
| Miscellaneous                      | 48,263                             | 162,666                            |
| Total cash receipts                | <u>18,729,530</u>                  | <u>17,046,670</u>                  |

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**Change in Net Cash Assets**

|   | Governmental<br>Activities<br><u>2007</u> | Governmental<br>Activities<br><u>2006</u> |
|---|---|---|
| <b><u>Cash Disbursements</u></b>        |   |   |
| Program expenses:                       |   |   |
| Instruction:                            |   |   |
| Regular                                 | \$ 463,958                                | \$ 322,409                                |
| Special                                 | 3,692,499                                 | 3,832,088                                 |
| Adult/continuing                        | 27,476                                    | 45,374                                    |
| Support services:                       |   |   |
| Pupil                                   | 3,723,168                                 | 3,764,111                                 |
| Instructional staff                     | 6,350,986                                 | 5,554,287                                 |
| Board of education                      | 89,043                                    | 66,597                                    |
| Administration                          | 946,405                                   | 882,590                                   |
| Fiscal                                  | 620,207                                   | 530,298                                   |
| Business                                | 211,946                                   | 319,850                                   |
| Operations and maintenance              | 469,099                                   | 288,845                                   |
| Central                                 | 142,514                                   | 239,063                                   |
| Other non-instructional services        | 1,042,859                                 | 697,213                                   |
| Facilities acquisition and construction | 455,278                                   | 3,483,865                                 |
| Debt service:                           |   |   |
| Principal retirement                    | 111,579                                   | 110,526                                   |
| Interest and fiscal charges             | 20,774                                    | 29,174                                    |
| Total cash disbursements                | <u>18,367,791</u>                         | <u>20,166,290</u>                         |
| Change in net cash assets               | <u>361,739</u>                            | <u>(3,119,620)</u>                        |
| Net cash assets at beginning of year    | <u>4,444,134</u>                          | <u>7,563,754</u>                          |
| Net cash assets at end of year          | <u>\$ 4,805,873</u>                       | <u>\$ 4,444,134</u>                       |

The significant increase in the change in net cash assets was due to the completion of the renovation project of the building purchased by the ESC in 2004. The most significant change was the decrease in facilities acquisition and construction expenditures from 2006 to 2007.

**Governmental Activities**

Net cash assets of the ESC's governmental activities increased \$361,739. Total governmental cash disbursements of \$18,367,791 were offset by program cash receipts of \$14,458,058 and general cash receipts of \$4,271,472. Program cash receipts supported 78.71% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from charges for services and sales. These cash receipts sources represent 58.56% of total governmental cash receipts.

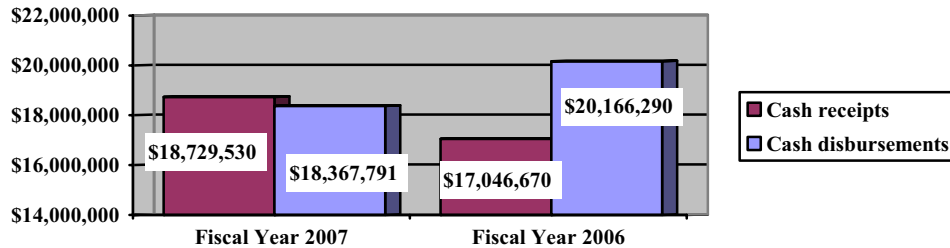
The largest cash disbursement of the ESC is for support services. Support services cash disbursements totaled \$12,553,368 or 68.34% of total governmental cash disbursements for fiscal year 2007.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

The graph below presents the ESC's governmental activities cash receipts and cash disbursements for fiscal years 2007 and 2006.

**Governmental Activities - Cash Receipts and Disbursements**



The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements. Certain 2006 balances have been reclassified to conform to 2007 presentation.

**Governmental Activities**

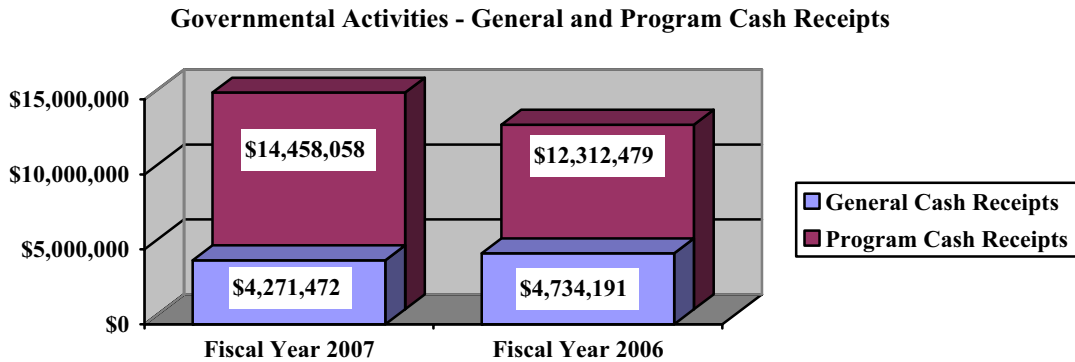
|   | Total Cost of<br>Services<br>2007 | Net Cost of<br>Services<br>2007 | Total Cost of<br>Services<br>2006 | Net Cost of<br>Services<br>2006 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| <b>Program cash disbursements</b>       |                                   |                                 |                                   |                                 |
| Instruction:                            |                                   |                                 |                                   |                                 |
| Regular                                 | \$ 463,958                        | \$ 247,156                      | \$ 322,409                        | \$ 89,259                       |
| Special                                 | 3,692,499                         | 343,605                         | 3,832,088                         | 694,319                         |
| Adult/Continuing                        | 27,476                            | 2,783                           | 45,374                            | 8,019                           |
| Support services:                       |                                   |                                 |                                   |                                 |
| Pupil                                   | 3,723,168                         | 391,103                         | 3,764,111                         | 684,029                         |
| Instructional staff                     | 6,350,986                         | 464,688                         | 5,554,287                         | 863,712                         |
| Board of education                      | 89,043                            | 89,043                          | 66,597                            | 66,597                          |
| Administration                          | 946,405                           | 841,949                         | 882,590                           | 863,750                         |
| Fiscal                                  | 620,207                           | 395,687                         | 530,298                           | 368,984                         |
| Business                                | 211,946                           | 211,946                         | 319,850                           | 319,850                         |
| Operations and maintenance              | 469,099                           | 145,227                         | 288,845                           | 287,332                         |
| Central                                 | 142,514                           | 142,514                         | 239,063                           | 239,063                         |
| Other non-instructional services        | 1,042,859                         | 46,401                          | 697,213                           | 15,290                          |
| Facilities acquisition and construction | 455,278                           | 455,278                         | 3,483,865                         | 3,213,907                       |
| Debt service:                           |                                   |                                 |                                   |                                 |
| Principal retirement                    | 111,579                           | 111,579                         | 110,526                           | 110,526                         |
| Interest and fiscal charges             | 20,774                            | 20,774                          | 29,174                            | 29,174                          |
| <b>Total cash disbursements</b>         | <u>\$ 18,367,791</u>              | <u>\$ 3,909,733</u>             | <u>\$ 20,166,290</u>              | <u>\$ 7,853,811</u>             |

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

The ESC primarily depends upon charges for services provided to member districts, however dependence upon other general cash receipts for governmental activities is apparent as 21.37% of support services activities are supported through grants and entitlements (including State foundation) and other general cash receipts. For all governmental activities, general cash receipt support is 21.29%.

The graph below presents the ESC's governmental activities cash receipts for fiscal years 2007 and 2006. Certain 2006 balances have been reclassified to conform the 2007 presentation.



**The ESC's Funds**

The ESC's governmental funds reported a combined fund cash balance of \$4,805,873, which is more than last year's total of \$4,444,134. The June 30, 2006, fund balances have been restated as described in Note 3 of the notes to the financial statements. In fiscal year 2006, the Facilities Renovation fund was a major fund, however, in fiscal year 2007 only the General fund is major. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2007 and 2006.

|                    | Fund Cash Balance<br>June 30, 2007 | Restated<br>Fund Cash Balance<br>June 30, 2006 | Increase<br>(Decrease) | Percentage<br>Change |
|--------------------|------------------------------------|--|------------------------|----------------------|
| General            | \$ 4,895,600                       | \$ 4,297,736                                   | \$ 597,864             | 13.91 %              |
| Other Governmental | (89,727)                           | 146,398  | (236,125)              | (161.29) %           |
| <b>Total</b>       | <u>\$ 4,805,873</u>                | <u>\$ 4,444,134</u>                            | <u>\$ 361,739</u>      | 8.14 %               |

**General Fund**

The ESC's general fund cash balance increased \$597,864. The increase in fund cash balance can be primarily attributed to fewer transfers made to the facilities renovation fund during 2007 than in 2006. Cash receipts exceeded cash disbursements for fiscal year 2007 by \$597,864. The table that follows assists in illustrating the cash financial activities of the general fund; some balances have been restated due to the restatement of the fund balance described in Note 3. in the notes to the financial statements.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

|   | 2007<br><u>Amount</u>    | Restated<br>2006<br><u>Amount</u> | Increase<br><u>(Decrease)</u> | Percentage<br><u>Change</u> |
|---|--------------------------|-----------------------------------|-------------------------------|-----------------------------|
| <b><u>Cash Receipts</u></b>             |                          |                                   |                               |                             |
| Tuition                                 | \$ 167,008               | \$ 72,094                         | \$ 94,914                     | 131.65 %                    |
| Contract services                       | 10,340,700               | 9,190,450                         | 1,150,250                     | 12.52 %                     |
| Earnings on investments                 | 240,715                  | 195,157                           | 45,558                        | 23.34 %                     |
| Intergovernmental                       | 3,982,494                | 4,372,934                         | (390,440)                     | (8.93) %                    |
| Rental income                           | 321,339                  | 269,958                           | 51,381                        | 19.03                       |
| Other revenues                          | <u>41,877</u>            | <u>158,124</u>                    | <u>(116,247)</u>              | (73.52) %                   |
| <br>Total                               | <br><u>\$ 15,094,133</u> | <br><u>\$ 14,258,717</u>          | <br><u>\$ 835,416</u>         | <br>5.86 %                  |
| <b><u>Cash Disbursements</u></b>        |                          |                                   |                               |                             |
| Instruction                             | \$ 3,855,092             | \$ 3,712,469                      | \$ 142,623                    | 3.84 %                      |
| Support services                        | 9,989,547                | 9,638,751                         | 350,796                       | 3.64 %                      |
| Other non-instructional services        | 7,221                    | 6,846                             | 375                           | 5.48 %                      |
| Facilities acquisition and construction | 5,712                    | 57,894                            | (52,182)                      | (90.13) %                   |
| Debt service                            | <u>132,353</u>           | <u>139,700</u>                    | <u>(7,347)</u>                | (5.26) %                    |
| <br>Total                               | <br><u>\$ 13,989,925</u> | <br><u>\$ 13,555,660</u>          | <br><u>\$ 434,265</u>         | <br>3.20 %                  |

The most significant increases in cash receipts occurred in tuition, contract services and earnings on investments. The increase in tuition revenue was due to the increase in courses offered. The increase in contract services receipts was due to an increase in services provided. The increase in earnings on investments was due primarily to the increase in interest rates by the federal reserve. The most significant decrease in cash receipts occurred in intergovernmental receipts which was primarily due to a decrease in state funding. Overall, cash disbursements remained consistent, with the exception of facilities acquisition and construction which decreased significantly due to the completion of the renovation of the new building purchased in 2004.

**Capital Assets and Debt Administration**

***Capital Assets***

The ESC does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

***Debt Administration***

At June 30, 2007, the ESC had \$215,442 in principal capital lease obligations. Of this total, \$118,448 in principal and \$12,183 in interest is due within one year and \$96,994 in principal and \$23,321 in interest is due in more than one year.

The ESC is not permitted to issue debt. See Note 6 to the cash basis financial statements for additional information on the ESC's capital leases.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

***Current Financial Related Activities***

The ESC continues to operate on strong financial ground relying on contracts with area agencies and local, city and exempted village school districts in the counties of Richland, Morrow and Crawford, as well as state foundation revenue and grants. The future financial stability of the ESC is not without concerns in light of the new biennium budget proposal that did not include any increases in the per pupil amounts for ESC's.

The loss of Medicaid (CAFS) funds is a concern of the ESC. Current rules governing this reimbursement expired June 30, 2006, halting the flow of these dollars and significantly impacting the financial stability of various ESC programs. This reimbursement was not reinstated during fiscal year 2007.

Renovation of the ESC's new facility, which began in December 2004, was completed during fiscal year 2006, with some final payments being made during 2007. Med Central's School of Nursing occupies the East end of the facility under a multi-year lease agreement and the Mt. Vernon Nazarene University occupies the West end of the facility, also under a multi-year lease agreement.

The ESC will continue to be responsive to client needs with the ultimate goal of providing the necessary resources to meet student needs. The ESC prides itself on providing quality service while at the same time being sensitive to the financial hardships facing its client districts. A sound system of budgeting and internal controls enables the ESC to operate efficiently and to meet the financial challenges of the future.

**Contacting the ESC's Financial Management**

This financial report is designed to provide our citizens, 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 Mrs. Lorraine Earnest, Treasurer, Mid-Ohio Educational Service Center, 890 West Fourth Street, Suite 100, Mansfield, Ohio 44906.

**This page intentionally left blank.**



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Assets:</b>                                      |                                    |
| Equity in pooled cash and cash equivalents. . . . . | \$ 4,805,873                       |
| Total assets. . . . .                               | 4,805,873                          |
| <b>Net Cash Assets:</b>                             |                                    |
| Restricted for:                                     |                                    |
| Capital projects . . . . .                          | 28,826                             |
| Locally funded programs . . . . .                   | 9,656                              |
| State funded programs . . . . .                     | 13,085                             |
| Federally funded programs . . . . .                 | 19,695                             |
| Other purposes . . . . .                            | 22,676                             |
| Unrestricted. . . . .                               | 4,711,935                          |
| Total net cash assets . . . . .                     | \$ 4,805,873                       |

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   | Cash<br>Disbursements | Program Cash Receipts                |  | Net (Cash<br>Disbursements)<br>Cash Receipts and<br>Changes in Net<br>Cash Assets |
|---|-----------------------|--------------------------------------|--|---|
|   |                       | Charges for<br>Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities  |
| <b>Governmental activities:</b>           |                       |                                      |  |   |
| Instruction:                              |                       |                                      |  |   |
| Regular . . . . .                         | \$ 463,958            | \$ 139,400                           | \$ 77,402                                | \$ (247,156)  |
| Special . . . . .                         | 3,692,499             | 3,285,229                            | 63,665                                   | (343,605)   |
| Adult/continuing . . . . .                | 27,476                | -                                    | 24,693                                   | (2,783)   |
| Support services:                         |                       |                                      |  |   |
| Pupil. . . . .                            | 3,723,168             | 2,776,194                            | 555,871                                  | (391,103)   |
| Instructional staff . . . . .             | 6,350,986             | 4,446,285                            | 1,440,013                                | (464,688)   |
| Board of education . . . . .              | 89,043                | -                                    | -  | (89,043)  |
| Administration. . . . .                   | 946,405               | -                                    | 104,456                                  | (841,949)   |
| Fiscal. . . . .                           | 620,207               | -                                    | 224,520                                  | (395,687)   |
| Business. . . . .                         | 211,946               | -                                    | -  | (211,946)   |
| Operations and maintenance . . . . .      | 469,099               | 321,339                              | 2,533                                    | (145,227)   |
| Central . . . . .                         | 142,514               | -                                    | -  | (142,514)   |
| Other non-instructional services. . . . . | 1,042,859             | -                                    | 996,458                                  | (46,401)  |
| Facilities acquisition and construction.  | 455,278               | -                                    | -  | (455,278)   |
| Debt service:                             |                       |                                      |  |   |
| Principal retirement . . . . .            | 111,579               | -                                    | -  | (111,579)   |
| Interest and fiscal charges. . . . .      | 20,774                | -                                    | -  | (20,774)  |
| Total governmental activities . . . . .   | <u>\$ 18,367,791</u>  | <u>\$ 10,968,447</u>                 | <u>\$ 3,489,611</u>                      | <u>(3,909,733)</u>  |

**General Cash Receipts:**

|  |                     |
|--|---------------------|
| Grants and entitlements not restricted<br>to specific programs . . . . . | 3,982,494           |
| Investment earnings . . . . .  | 240,715             |
| Miscellaneous . . . . .  | 48,263              |
| Total general cash receipts. . . . .                                     | <u>4,271,472</u>    |
| Change in net cash assets . . . . .                                      | 361,739             |
| Net cash assets at beginning of year . . .                               | <u>4,444,134</u>    |
| Net cash assets at end of year. . . . .                                  | <u>\$ 4,805,873</u> |

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

|  | <b>General</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------|---|---|
| <b>Cash Assets:</b>                                    |                |   |   |
| Equity in pooled cash<br>and cash equivalents. . . . . | \$ 4,895,600   | \$ (89,727)                             | \$ 4,805,873                            |
| Total cash basis assets . . . . .                      | \$ 4,895,600   | \$ (89,727)                             | \$ 4,805,873                            |
| <b>Fund Cash Balances:</b>                             |                |   |   |
| Reserved for encumbrances. . . . .                     | \$ -           | \$ 320,548                              | \$ 320,548                              |
| Unreserved:  |                |   |   |
| General fund . . . . .                                 | 4,895,600      | -                                       | 4,895,600                               |
| Special revenue funds . . . . .                        | -              | (427,525)                               | (427,525)                               |
| Capital projects funds . . . . .                       | -              | 17,250                                  | 17,250                                  |
| Total fund cash balances. . . . .                      | \$ 4,895,600   | \$ (89,727)                             | \$ 4,805,873                            |

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES  
IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | <u>General</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|---|---|
| <b>Cash Receipts:</b>  |                     |   |   |
| From local sources:  |                     |   |   |
| Tuition . . . . .  | \$ 167,008          | \$ -                                    | \$ 167,008                              |
| Contract services . . . . .  | 10,340,700          | -                                       | 10,340,700                              |
| Earnings on investments. . . . .   | 240,715             | -                                       | 240,715                                 |
| Rental income . . . . .  | 321,339             | -                                       | 321,339                                 |
| Other . . . . .  | 41,877              | 145,786                                 | 187,663                                 |
| Intergovernmental. . . . .   | 3,982,494           | 3,489,611                               | 7,472,105                               |
| Total cash receipts. . . . .   | <u>15,094,133</u>   | <u>3,635,397</u>                        | <u>18,729,530</u>                       |
| <b>Cash Disbursements:</b>   |                     |   |   |
| Current:   |                     |   |   |
| Instruction:   |                     |   |   |
| Regular . . . . .  | 234,281             | 229,083                                 | 463,364                                 |
| Special. . . . .   | 3,620,811           | 63,556                                  | 3,684,367                               |
| Adult/continuing. . . . .  | -                   | 27,476                                  | 27,476                                  |
| Support services:  |                     |   |   |
| Pupil. . . . .   | 3,127,424           | 589,009                                 | 3,716,433                               |
| Instructional staff . . . . .  | 4,751,143           | 1,591,415                               | 6,342,558                               |
| Board of education . . . . .   | 89,043              | -                                       | 89,043                                  |
| Administration. . . . .  | 825,274             | 119,679                                 | 944,953                                 |
| Fiscal . . . . .   | 379,028             | 240,384                                 | 619,412                                 |
| Business . . . . .   | 211,841             | -                                       | 211,841                                 |
| Operations and maintenance. . . . .  | 466,281             | 2,818                                   | 469,099                                 |
| Central. . . . .   | 139,513             | 3,000                                   | 142,513                                 |
| Other non-instructional services . . . . .   | 7,221               | 1,035,638                               | 1,042,859                               |
| Facilities acquisition and construction . . . . .                                  | 5,712               | 449,566                                 | 455,278                                 |
| Debt service:  |                     |   |   |
| Principal retirement . . . . .   | 111,579             | -                                       | 111,579                                 |
| Interest and fiscal charges . . . . .  | 20,774              | -                                       | 20,774                                  |
| Total cash disbursements. . . . .  | <u>13,989,925</u>   | <u>4,351,624</u>                        | <u>18,341,549</u>                       |
| Excess of cash receipts over<br>(under) cash disbursements . . . . .               | <u>1,104,208</u>    | <u>(716,227)</u>                        | <u>387,981</u>                          |
| <b>Other financing sources (uses):</b>   |                     |   |   |
| Transfers in. . . . .  | -                   | 480,102                                 | 480,102                                 |
| Transfers (out) . . . . .  | (506,344)           | -                                       | (506,344)                               |
| Total other financing sources (uses). . . . .                                      | <u>(506,344)</u>    | <u>480,102</u>                          | <u>(26,242)</u>                         |
| Net change in fund cash balances. . . . .  | 597,864             | (236,125)                               | 361,739                                 |
| <b>Fund cash balances at beginning of<br/>year (restated see note 3) . . . . .</b> | <u>4,297,736</u>    | <u>146,398</u>                          | <u>4,444,134</u>                        |
| <b>Fund cash balances at end of year. . . . .</b>                                  | <u>\$ 4,895,600</u> | <u>\$ (89,727)</u>                      | <u>\$ 4,805,873</u>                     |

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH EXPENSES AND  
CHANGES IN NET CASH ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|   |           | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|-----------|--|
| <b>Operating cash receipts:</b>                     |           |  |
| Charges for services. . . . .                       | \$        | 132,770  |
|   |           | 132,770  |
| <b>Operating cash expenses:</b>                     |           |  |
| Purchased services . . . . .                        |           | 19,837   |
| Claims . . . . .                                    |           | 139,175  |
|   |           | 159,012  |
| Total operating cash expenses . . . . .             |           | 159,012  |
| Loss before transfers . . . . .                     |           | (26,242)   |
| Transfer in . . . . .                               |           | 26,242   |
|   |           | -  |
| Change in net cash assets. . . . .                  |           | -  |
| <b>Net cash assets at beginning of year . . . .</b> |           | <b>-</b>   |
| <b>Net cash assets at end of year. . . . .</b>      | <b>\$</b> | <b>-</b>   |

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS  
FIDUCIARY FUND  
JUNE 30, 2007

|   |    | <u>Agency</u> |
|---|----|---------------|
| <b>Cash Assets:</b>                                     |    |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ | 59,349        |
| Total cash assets . . . . .                             | \$ | 59,349        |
| <b>Net cash assets:</b>                                 |    |               |
| Restricted for distribution to others . . . . .         | \$ | 59,349        |
| Total net cash assets . . . . .                         | \$ | 59,349        |

SEE ACCOMPANYING NOTES TO THE CASH BASIS BASIC FINANCIAL STATEMENTS

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Mid-Ohio Educational Service Center (the "ESC") is a political subdivision of the State of Ohio. The ESC was formed from the consolidation of the former Crawford County, Morrow County, and Richland County Educational Service Centers on July 1, 1996. Educational Service Centers were formed as a result of Senate Bill 9 as amended by Am. Sub. H.B. 117.

The ESC has offices in Richland, Crawford and Morrow Counties. The Governing Board consists of seven members elected by the voters of each County. This Governing Board acts as the authorizing body for expenditures, policy and procedures, and approves all financial activities. The ESC is staffed by 192 non-certificated employees and 159 certificated (including administrative) employees to provide services to approximately 28,489 students throughout Crawford, Morrow, and Richland counties.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**A. Reporting Entity**

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

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 cash basis basic financial statements of the reporting entity include only those of the ESC (the primary government).

The ESC is fiscal agent for the Crawford County Family and Children First Council and the Business Advisory Council of Richland County (the "Councils"). The ESC is responsible for receiving and disbursing funds at the direction of the Councils. These entities are legally separate from the ESC. The ESC is fiscal agent and custodian for the Councils, but is not accountable; therefore, the operations of the Councils have been included as an agency fund in the ESC's cash basis basic financial statements. The funds invested on behalf of the Councils have been included in the cash basis basic financial statements as "Equity in Pooled Cash and Cash Equivalents".

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments/North Central Ohio Computer Cooperative (the "COG")

The COG is a jointly governed organization among 16 school districts, 1 educational service center and a career center. The COG was formed for the purpose of applying modern technology with computers and other electronic technology to aid administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the ESC does not have any equity interest in the COG. Financial information can be obtained from Jerry Payne, Treasurer of the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Business Advisory Councils of Crawford, Morrow, and Richland Counties

The ESC appoints Business Advisory Councils (the "Councils") in accordance with Ohio Revised Code, Section 3313.174. The purpose of the Councils is to provide insight, generate suggestions, and promote a positive relationship between the ESC and the communities it serves. The theme of the relationship is to provide an appropriate and adequate curriculum, within the ESC's financial means, in order that conscientious students may enter the work force with the knowledge, skills and attitudes that are at a level which makes initial employment feasible and additional training both productive and economical.

The Councils are composed of an optional number of members as determined by the ESC Superintendent. The membership may be selected from the fields of commercial, industrial, service, agricultural and governmental agencies. Consideration may also be given to one citizen representative from each of the local districts. Each local superintendent may also serve as an "ex officio" member. The ESC Superintendent, or his designee, serves as the chairman of the council.

The Superintendent of the ESC is required to develop administrative guidelines which will ensure that the time and efforts of the Councils and those of the professional staff are utilized properly to accomplish these educational outcomes and to provide for a continued, strong working relationship between the school community, the Councils, and the larger community of employers.

The ESC is fiscal agent for the Councils but has no ongoing financial interest or financial responsibility to the Councils.

Pioneer Career and Technology Center

The Pioneer Career and Technology Center (the "Center"), is a distinct political subdivision of the State of Ohio, operated under the direction of an eleven member Board of Education, which consists of one representative from each of the participating school district's elected board. Pioneer possesses its own budgeting and taxing authority. Financial information is available from Jerry Payne, Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, Ohio 44875. The ESC has no ongoing financial interest or financial responsibility to the Center.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

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

Tri-Rivers Career Center

The Tri Rivers Career Center (the "Center") is a political subdivision of the State of Ohio. The Center is operated under the direction of a Board of Education, which consists of one representative from each of the participating school districts' elected boards, and one representative from the Delaware-Union Educational Service Center. The Center possesses its own budgeting and taxing authority. Financial information is available from Terril Martin, Treasurer of the Tri-Rivers Career Center, at 2222 Marion/Mt. Gilead Road, Marion, Ohio 43302. The ESC has no ongoing financial interest or financial responsibility to the Center.

*PUBLIC ENTITY RISK POOLS*

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. See Note 7.B. for further information.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The ESC participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool. The Plan was established under Section 4123.29 of the Ohio Revised Code. The Plan's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program. See Note 7.C. for further information pertaining to this insurance purchasing pool.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the ESC chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**C. 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.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

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

*GOVERNMENTAL FUNDS*

The ESC classifies funds financed primarily from intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the ESC's major governmental fund:

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

Other governmental funds of the ESC are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUND*

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector. The ESC has no enterprise funds. The following is a description of the ESC's internal service fund:

*Internal Service Fund* - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the ESC, or to other governments, on a cost-reimbursement basis. The only internal service fund of the ESC accounts for a former self-insurance program which provided medical/surgical, dental and vision benefits to employees.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the ESC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the ESC's own programs. The ESC has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund accounts for various resources held for other organizations and individuals, including the Crawford County Family and Children First Council, Solid Waste Management, a Media Center Grant, the Delaware-Morrow Mental Health Recovery Services and the Business Advisory Councils of Crawford, Morrow, and Richland Counties.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

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

**D. Basis of Presentation**

*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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the ESC's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the ESC. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the ESC.

*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.

**E. Budgets**

Educational service centers do not have the authority to adopt annual legally-adopted appropriation budgets. However, the ESC has chosen to adopt an appropriation resolution for internal control purposes. Therefore, even though a statement or schedule of budgetary results is not required to be presented, the ESC has chosen to present budgetary schedule as supplemental information.

**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 cash basis basic financial statements.

During fiscal year 2007, investments were limited to State Treasury Asset Reserve of Ohio ("STAR Ohio"), nonnegotiable certificates of deposit and federal agency securities. Investments are reported at cost.

The ESC invested funds in STAR Ohio during fiscal year 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**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 \$240,715, which includes \$6,125 assigned from other funds.

For presentation on the cash basis 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.

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

Capital lease obligations are not recognized as a liability in the financial statements under the cash basis of accounting. The ESC is not permitted to obtain debt beyond capital lease obligations.

**J. Fund Cash Balance Reserves**

The ESC reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances.

**K. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Other purposes consist of balances of the Richland County solid waste and Crawford County alternative school programs.

The ESC first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. As of June 30, 2007, there were no net cash assets restricted by enabling legislation.

**L. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the cash basis basic financial statements.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

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

**M. 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 - ACCOUNTABILITY AND COMPLIANCE**

The ESC has presented a restatement of cash balances due to the reclassification of a fund previously reported as a nonmajor special revenue fund which will be reported as part of the general fund to reflect its intended purpose. The effect on the cash balances are as follows:

|                                     | General<br>Fund | Nonmajor<br>Funds |
|-------------------------------------|-----------------|-------------------|
| Cash balance, June 30, 2006         | \$ 4,204,310    | \$ 239,824        |
| Fund reclassification               | 93,426          | (93,426)          |
| Restated cash balance, July 1, 2006 | \$ 4,297,736    | \$ 146,398        |

The fund reclassification had no effect on net cash assets reported by the governmental activities at June 30, 2006.

**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.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above, and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions;
6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all ESC deposits was \$3,164,444. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2007, \$3,666,707 of the ESC’s bank balance of \$4,258,707 was exposed to custodial risk as discussed below, while \$592,000 was covered by the Federal Deposit Insurance Corporation.

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. Investments**

As of June 30, 2007, the ESC had the following investments and maturities:

| Investment type | Balance at<br>Cost  | Investment Maturities |                   |                    |                    |
|-----------------|---------------------|-----------------------|-------------------|--------------------|--------------------|
|                 |                     | 6 months or<br>less   | 7 to 12<br>months | 13 to 18<br>months | 19 to 24<br>months |
| FHLB            | \$ 1,090,000        | \$ -                  | \$ 300,000        | \$ 400,000         | \$ 390,000         |
| FNMA            | 350,000             | 200,000               | -                 | 150,000            | -                  |
| FHLMC           | 200,000             |                       |                   |                    | 200,000            |
| STAR Ohio       | 60,778              | 60,778                | -                 | -                  | -                  |
|                 | <u>\$ 1,700,778</u> | <u>\$ 260,778</u>     | <u>\$ 300,000</u> | <u>\$ 550,000</u>  | <u>\$ 590,000</u>  |

The weighted average maturity of investments is 1.14 years.

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

*Credit Risk:* The ESC’s investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio a AAAm money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent but not in the ESC’s name. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2007:

| <u>Investment type</u> | <u>Cash Value</u>   | <u>% to Total</u> |
|------------------------|---------------------|-------------------|
| FHLB                   | \$ 1,090,000        | 64.09             |
| FNMA                   | 350,000             | 20.58             |
| FHLMC                  | 200,000             | 11.76             |
| STAR Ohio              | <u>60,778</u>       | <u>3.57</u>       |
|                        | <u>\$ 1,700,778</u> | <u>100.00</u>     |

**C. Reconciliation of Cash to the Statement of Net Assets**

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

|  |  |                     |
|--|--|---------------------|
| <u>Cash per note</u>   |  |                     |
| Carrying amount of deposits                                      |  | \$ 3,164,444        |
| Investments  |  | <u>1,700,778</u>    |
| Total  |  | <u>\$ 4,865,222</u> |
| <br><u>Cash and cash equivalents per statement of net assets</u> |  |                     |
| Governmental activities  |  | \$ 4,805,873        |
| Agency funds   |  | <u>59,349</u>       |
| Total  |  | <u>\$ 4,865,222</u> |

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

|                                     |                   |
|-------------------------------------|-------------------|
| Transfers from the General Fund to: |                   |
| Nonmajor governmental funds         | \$ 480,102        |
| Internal service fund               | <u>26,242</u>     |
|                                     | <u>\$ 506,344</u> |

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 6 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the ESC has entered into capital leases for copiers. The terms of each lease agreement provide an option to purchase the copier. These leases meet the criteria of a capital lease as defined by Statement No. 13 of the FASB, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined statement of cash receipts, cash disbursements and changes in fund cash balances - governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. Principal payments in the 2007 fiscal year totaled \$111,579. This amount is reflected as debt service principal retirement in the general fund.

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>Fiscal Year Ending June 30,</u> | <u>Amount</u>     |
|------------------------------------|-------------------|
| 2008                               | \$ 130,631        |
| 2009                               | 118,828           |
| 2010                               | <u>1,487</u>      |
| Total minimum lease payments       | 250,946           |
| Less amount representing interest  | <u>(35,504)</u>   |
| Total                              | <u>\$ 215,442</u> |

The ESC does not have capitalized lease obligations after fiscal year 2010.

**NOTE 7 - RISK MANAGEMENT**

**A. Comprehensive Insurance**

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ESC maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. During fiscal year 2007, the ESC contracted with The Auck Dostal Agency, Inc. for building insurance and with Ohio School Plan for auto liability. Coverages are as follows:

|   |             |
|---|-------------|
| Building contents – replacement cost (\$5,000 deductible) | \$4,680,000 |
| General liability per occurrence                          | 1,000,000   |

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

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 7 - RISK MANAGEMENT - (Continued)**

**B. Health Benefits**

Prior to February 2006, the ESC had established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss related to medical/surgical, dental and vision benefits. Under this program, the Risk Management Fund provided coverage for up to a maximum of \$75,000 for each health benefits claim. The plan was offered to school districts state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by American Administrative Group, Inc. Through OME-RESA, the ESC purchased commercial insurance for claims in excess of coverage provided by the plan and for all other risks of loss. This plan ended in January 2006; however, some activity occurred during fiscal year 2007 due to outstanding claims incurred under this program. This activity is reported in the ESC's internal service fund.

For fiscal year 2007, the ESC has contracted with the Stark County Schools Council of Governments (a shared risk pool) (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The ESC pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The ESC's Governing Board pays a percentage of the premiums. For fiscal year 2007, the monthly premium for medical/prescription was \$918.40 for family coverage and \$378.11 for single coverage, the Board pays 85% and 90% respectively; dental was \$118.42 for family coverage and \$48.05 for single coverage, the Board pays 85% and 90% respectively; vision was \$25.25 for family coverage and \$10.07 for single coverage, with nothing paid by the Board; and life insurance was \$5.85 for family or single coverage and the Board pays 100%.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 9.

**C. Workers' Compensation**

For fiscal year 2007, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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 of the Plan. 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.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 8 - 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](http://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 \$383,993, \$354,895, and \$294,051, respectively; 100 percent has been contributed for all fiscal years.

**B. State Teachers Retirement System of Ohio**

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](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 8 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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. 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 pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$920,205, \$860,855, and \$837,361, respectively; 100 percent has been contributed for all fiscal years.

**C. Social Security System**

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

**NOTE 9 - 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 Stabilization Fund. For the ESC, this amount equaled \$70,785 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 had 119,184 eligible benefit recipients.

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

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.

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. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the ESC paid \$170,198 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 the projected claims less premium contributions for the next year. 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 eligible to receive benefits.

**NOTE 10 - 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.

**NOTE 11 - SIGNIFICANT SUBSEQUENT EVENTS**

**A. Fiscal Agent**

As of July 1, 2007, the ESC is no longer fiscal agent for the Crawford County Family and Children First Council.

**B. Superintendent**

On July 1, 2007, Dr. Michael L. Cline became Superintendent of the ESC, replacing interim Superintendent, Mr. Robert Alexander.

**This page intentionally left blank.**

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN  
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

|  | <u>Budgeted Amounts</u> | <u>Actual</u>       | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|---------------------|---|
| <b>Cash Receipts:</b>  |                         |                     |   |
| From local sources:  |                         |                     |   |
| Tuition . . . . .  | \$ 39,495               | \$ 167,008          | \$ 127,513  |
| Contract services . . . . .  | 10,831,061              | 10,271,439          | (559,622)   |
| Earnings on investments. . . . .                                       | 480,000                 | 562,054             | 82,054  |
| Extracurricular. . . . .   | 70,000                  | 69,261              | (739)   |
| Other . . . . .  | 116,162                 | 41,877              | (74,285)  |
| Intergovernmental. . . . .   | <u>2,420,473</u>        | <u>3,982,494</u>    | <u>1,562,021</u>  |
| Total cash receipts . . . . .  | <u>13,957,191</u>       | <u>15,094,133</u>   | <u>1,136,942</u>  |
| <b>Cash Disbursements:</b>   |                         |                     |   |
| Current:   |                         |                     |   |
| Instruction:   |                         |                     |   |
| Regular . . . . .  | 267,361                 | 264,060             | 3,301   |
| Special. . . . .   | 3,668,078               | 3,622,787           | 45,291  |
| Support services:  |                         |                     |   |
| Pupil. . . . .   | 3,166,521               | 3,127,424           | 39,097  |
| Instructional staff . . . . .  | 4,810,540               | 4,751,143           | 59,397  |
| Board of education. . . . .  | 90,156                  | 89,043              | 1,113   |
| Administration. . . . .  | 835,591                 | 825,274             | 10,317  |
| Fiscal. . . . .  | 383,766                 | 379,028             | 4,738   |
| Business . . . . .   | 343,737                 | 339,493             | 4,244   |
| Operations and maintenance . . . . .                                   | 475,519                 | 469,648             | 5,871   |
| Central . . . . .  | 141,257                 | 139,513             | 1,744   |
| Other non-instructional services . . . . .                             | 7,311                   | 7,221               | 90  |
| Facilities acquisition and construction. . . . .                       | <u>5,783</u>            | <u>5,712</u>        | <u>71</u>   |
| Total cash disbursements. . . . .                                      | <u>14,195,620</u>       | <u>14,020,346</u>   | <u>175,274</u>  |
| Excess of cash receipts<br>(under) cash disbursements. . . . .         | <u>(238,429)</u>        | <u>1,073,787</u>    | <u>1,312,216</u>  |
| <b>Other financing sources (uses):</b>                                 |                         |                     |   |
| Refund of prior year expenditure . . . . .                             | 250                     | 30,421              | 30,171  |
| Transfers in . . . . .   | 212,000                 | 233,236             | 21,236  |
| Transfers (out) . . . . .  | <u>(747,138)</u>        | <u>(739,580)</u>    | <u>7,558</u>  |
| Total other financing sources (uses) . . . . .                         | <u>(534,888)</u>        | <u>(475,923)</u>    | <u>58,965</u>   |
| Net change in fund cash balance . . . . .                              | (773,317)               | 597,864             | 1,371,181   |
| <b>Fund cash balance at<br/>beginning of year (restated) . . . . .</b> | 4,293,780               | 4,293,780           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b>                  | 3,956                   | 3,956               | -   |
| <b>Fund cash balance at end of year. . . . .</b>                       | <u>\$ 3,524,419</u>     | <u>\$ 4,895,600</u> | <u>\$ 1,371,181</u>   |

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICY**

The ESC has chosen to prepare its financial statements and notes on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

The ESC also prepares its budget on the cash basis of accounting. The differences between the Schedule of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Budget and Actual (Budgetary Basis) (the Schedule) and the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances (the Statement) are the reclassification of various receipts and disbursements made on the Statement and not made on the Schedule.



**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

| Federal Grantor/<br><i>Passed Through Grantor/<br/>Program Title</i>     | Federal<br>CFDA<br>Number | Pass Through<br>Grantor<br>Number | Receipts           | Expenditures       |
|--|---------------------------|-----------------------------------|--------------------|--------------------|
| <b><u>U.S. Department of Agriculture</u></b>                             |                           |                                   |                    |                    |
| <i>(Passed through the Ohio Department of Education)</i>                 |                           |                                   |                    |                    |
| Child Nutrition Cluster:   |                           |                                   |                    |                    |
| School Breakfast Program   | 10.553                    | 123521-05PU-2006                  | \$38,376           | \$38,376           |
|  |                           | 123521-05PU-2007                  | 51,887             | 51,887             |
| Total School Breakfast Program   |                           |                                   | 90,263             | 90,263             |
| National School Lunch Program  | 10.555                    | 123521-LLP1-2006                  | 5,358              | 5,358              |
|  |                           | 123521-LLP1-2007                  | 5,594              | 5,594              |
|  |                           | 123521-LLP4-2006                  | 61,074             | 61,074             |
|  |                           | 123521-LLP4-2007                  | 79,754             | 79,754             |
| Total National School Lunch Program                                      |                           |                                   | 151,780            | 151,780            |
| Total Child Nutrition Cluster  |                           |                                   | 242,043            | 242,043            |
| Child and Adult Care Food Program  | 10.558                    | 123521-CCMO-2005                  | (333)              |                    |
|  |                           | 123521-CCMO-2006                  | 1,956              | 1,956              |
|  |                           | 123521-CCMO-2007                  | 5,406              | 5,406              |
|  |                           | 123521-CCXR-2005                  | (2)                |                    |
|  |                           | 123521-LUPC-2007                  | 78                 | 78                 |
| Total Child and Adult Care Food Program                                  |                           |                                   | 7,105              | 7,440              |
| <b>Total U.S. Department of Agriculture</b>                              |                           |                                   | <b>249,148</b>     | <b>249,483</b>     |
| <b><u>U.S. Department of Labor</u></b>                                   |                           |                                   |                    |                    |
| <i>(Passed through the Ohio Department of Job &amp; Family Services)</i> |                           |                                   |                    |                    |
| <i>(Passed through the Area 10 Workforce Investment Board)</i>           |                           |                                   |                    |                    |
| WIA Youth Activities   | 17.259                    | 2006                              | 117,345            | 25,421             |
|  |                           | 2007                              | 672,361            | 753,967            |
| Total WIA Youth Activities   |                           |                                   | 789,706            | 779,388            |
| <b>Total U.S. Department of Labor</b>                                    |                           |                                   | <b>789,706</b>     | <b>779,388</b>     |
| <b><u>U.S. Department of Education</u></b>                               |                           |                                   |                    |                    |
| <i>(Passed through the Ohio Department of Education)</i>                 |                           |                                   |                    |                    |
| Adult Education - State Grant Program                                    | 84.002                    | 123521-ABS1-2006                  |                    | 600                |
|  |                           | 123521-ABS1-2007                  | 44,645             | 70,213             |
| Total Adult Education - State Grant Program                              |                           |                                   | 44,645             | 70,813             |
| Title I Grants to Local Educational Agencies                             | 84.010                    | 123521-C1ST-2007                  | 13,071             | 7,577              |
| Special Education Cluster:   |                           |                                   |                    |                    |
| Special Education - Preschool Grants                                     | 84.173                    | 123521-PGS1-2006                  | 9,752              | 8,850              |
|  |                           | 123521-PGS1-2007                  | 64,766             | 63,636             |
| Total Special Education Cluster  |                           |                                   | 74,518             | 72,486             |
| Javits Gifted and Talented Students Education Grant Program              | 84.206                    | 123521-JGS2-2006                  | 8,333              | 6,230              |
|  |                           | 123521-JGS1-2006                  |                    | 6,352              |
| Total Javits Gifted and Talented Students Education Grant Program        |                           |                                   | 8,333              | 12,582             |
| <i>Direct Program:</i>   |                           |                                   |                    |                    |
| Fund for the Improvement of Education                                    | 84.215X                   | 2006                              | 155,117            | 146,524            |
|  |                           | 2007                              | 634,747            | 720,669            |
| Total Fund for the Improvement of Education                              |                           |                                   | 789,864            | 867,193            |
| <b>Total U.S. Department of Education</b>                                |                           |                                   | <b>930,431</b>     | <b>1,030,651</b>   |
| <b>Totals</b>  |                           |                                   | <b>\$1,969,285</b> | <b>\$2,059,522</b> |

*The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.*

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY, OHIO**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



# Mary Taylor, CPA

Auditor of State

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

Mid-Ohio Educational Service Center  
Richland County  
890 West Fourth Street, Suite 100  
Mansfield, Ohio 44906

To the Board of Governors:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Mid-Ohio Educational Service Center, Richland County, Ohio, (the Center) as of and for the year ended June 30, 2007, which collectively comprise the Center's cash basis basic financial statements and have issued our report thereon dated November 30, 2007 wherein we noted the Center follows the modified cash basis of accounting. 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 Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

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

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

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

We noted certain internal control matters that we reported to the Center's management in a separate letter dated November 30, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as Finding Number 2007-001.

The Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Center'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, Board of Governors, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

November 30, 2007



# 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

Mid-Ohio Educational Service Center  
Richland County  
890 West Fourth Street, Suite 100  
Mansfield, Ohio 44906

To the Board of Governors:

### Compliance

We have audited the compliance of the Mid-Ohio Educational Service Center, Richland County, Ohio, (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the Center's major federal program. The Center'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 Center's compliance based on our audit.

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

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

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### Internal Control Over Compliance

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

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

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

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

We intend this report solely for the information and use of the audit committee, management, Board of Governors, 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

November 30, 2007

**MID-OHIO EDUCATIONAL SERVICE CENTER  
RICHLAND COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

|                     |  |  |
|---------------------|--|--|
| <i>(d)(1)(i)</i>    | Type of Financial Statement Opinion  | Unqualified  |
| <i>(d)(1)(ii)</i>   | Were there any material control weaknesses reported at the financial statement level (GAGAS)?                        | No   |
| <i>(d)(1)(ii)</i>   | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No   |
| <i>(d)(1)(iii)</i>  | Was there any reported material noncompliance at the financial statement level (GAGAS)?                              | Yes  |
| <i>(d)(1)(iv)</i>   | Were there any material internal control weaknesses reported for major federal programs?                             | No   |
| <i>(d)(1)(iv)</i>   | Were there any other significant deficiencies in internal control reported for major federal programs?               | No   |
| <i>(d)(1)(v)</i>    | Type of Major Programs' Compliance Opinion   | Unqualified  |
| <i>(d)(1)(vi)</i>   | Are there any reportable findings under § .510?  | No   |
| <i>(d)(1)(vii)</i>  | Major Programs (list):   | CFDA # 84.215X - Fund for the Improvement of Education |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs  | Type A: > \$ 300,000<br>Type B: all others             |
| <i>(d)(1)(ix)</i>   | Low Risk Auditee?  | Yes  |

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 117.38** provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. **Ohio Admin. Code Section 117-2-03** further clarifies the requirements of **Ohio Rev. Code Section 117.38**.

**FINDING NUMBER 2007-001 (Continued)**

**Noncompliance Citation (Continued)**

**Ohio Admin. Code Section 117-2-03(B)** requires the Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The Center prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the Center being fined or other administrative remedies.

The Center should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Officials’ Response:** Management is aware and believes it to be in the best interests of the organization and client districts, saving dollars and time, to prepare its financial reports on a modified cash basis. The MOESC Board of Governors approves this reporting format and will continue to evaluate it annually weighing the cost-benefit relationship to the organization and its clients.

|  |
|--|
| <b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b> |
|--|

None.





**Mary Taylor, CPA**  
Auditor of State

**MID-OHIO EDUCATIONAL SERVICE CENTER**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 24, 2008**