

**EDUCATIONAL SERVICE CENTER
OF PORTAGE COUNTY**

*** * * ***

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2002 and 2001**



**Auditor of State
Betty Montgomery**

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Board of Education
Educational Service Center of Portage County
224 West Riddle Avenue
Ravenna, Ohio 44266

We have reviewed the Independent Auditor's Report of the Educational Service Center of Portage County, Portage County, for the audit period July 1, 2000 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Educational Service Center of Portage County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2002 and 2001

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 5, 2002

The Board of Education
Educational Service Center of Portage County
Ravenna, Ohio 44266

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the Educational Service Center of Portage County as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these general purpose 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Educational Service Center of Portage County as of June 30, 2002 and 2001, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2002, on our consideration of the Educational Service Center of Portage County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits</u>			
<u>Assets</u>			
Cash and Cash Equivalents - Unrestricted	\$ 849,028	\$ 53,450	\$ 1,992
Receivables:			
Accounts	0	0	0
Interfund	17,500	0	0
Intergovernmental Receivable	1,029,893	25,849	0
Prepaid Items	5,138	370	3,063
Materials and Supplies Inventory	4,421	0	0
Fixed Assets (Net, where applicable , of Accumulated Depreciation	0	0	0
<u>Other Debits</u>			
Amount to be Provided From General Government Resources	0	0	0
Total Assets and Other Debits	\$ 1,905,980	\$ 79,669	\$ 5,055
<u>Liabilities, Fund Equity, and Other Credits</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 57	\$ 0	\$ 0
Accrued Wages and Benefits	262,211	6,687	0
Compensated Absences Payable	0	0	0
Interfund Payable	0	17,500	0
Intergovernmental Payable	29,064	648	0
Deferred Revenue	916,068	0	0
Undistributed Monies	0	0	0
Claims Payable	0	0	0
Total Liabilities	1,207,400	24,835	0
<u>Fund Equity and Other Credits</u>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	74,987	7,238	1,955
Reserved for Inventory	4,421	0	0
Reserved for Prepaid Items	5,138	370	3,063
Unreserved:			
Undesignated	614,034	47,226	37
Total Fund Equity and Other Credits	698,580	54,834	5,055
Total Liabilities, Fund Equity, and Other Credits	\$ 1,905,980	\$ 79,669	\$ 5,055

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types		Account Groups			Totals
Expendable Trust Fund	Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)	
\$ 21,000	\$ 2,545,746	\$ 0	\$ 0	\$ 3,471,216	
0	203,294	0	0	203,294	
0	0	0	0	17,500	
0	0	0	0	1,055,742	
0	6,071	0	0	14,642	
0	0	0	0	4,421	
0	0	341,583	0	341,583	
0	0	0	99,798	99,798	
<u>\$ 21,000</u>	<u>\$ 2,755,111</u>	<u>\$ 341,583</u>	<u>\$ 99,798</u>	<u>\$ 5,208,196</u>	
\$ 0	\$ 0	\$ 0	\$ 0	\$ 57	
0	0	0	0	268,898	
0	0	0	85,861	85,861	
0	0	0	0	17,500	
0	0	0	13,937	43,649	
0	0	0	0	916,068	
0	958,148	0	0	958,148	
0	1,796,963	0	0	1,796,963	
0	2,755,111	0	99,798	4,087,144	
0	0	341,583	0	341,583	
0	0	0	0	84,180	
0	0	0	0	4,421	
0	0	0	0	8,571	
21,000	0	0	0	682,297	
<u>21,000</u>	<u>0</u>	<u>341,583</u>	<u>0</u>	<u>1,121,052</u>	
<u>\$ 21,000</u>	<u>\$ 2,755,111</u>	<u>\$ 341,583</u>	<u>\$ 99,798</u>	<u>\$ 5,208,196</u>	

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2002

	Governmental Fund Type		
	General	Special Revenue	Capital Projects
<u>Revenues</u>			
Intergovernmental	\$ 1,887,785	\$ 302,467	\$ 9,892
Intergovernmental Unit Funding	1,273,779	0	0
Investment Income	16,716	0	0
Tuition and Fees	1,100,913	0	0
Miscellaneous	18,890	9,141	0
Total Revenues	4,298,083	311,608	9,892
<u>Expenditures</u>			
Current:			
Instruction			
Regular	59,468	136,422	0
Special	1,390,467	19,141	0
Other	80,890	1,000	0
Support Services:			
Pupils	381,222	26,469	0
Instructional Staff	1,701,500	159,377	4,837
Board of Education	22,075	0	0
Administration	466,535	0	0
Fiscal	134,806	0	0
Business	18,147	0	0
Operation and Maintenance of Plant	46,018	4,425	0
Pupil Transportation	2,225	16,791	0
Central	13,471	179	0
Operation of Non-Instructional Services	565	0	0
Extracurricular Activities	12,538	0	0
Total Expenditures	4,329,927	363,804	4,837
Excess of Revenues Over (Under) Expenditures	(31,844)	(52,196)	5,055
Fund Balance at Beginning Of Year	728,484	107,030	0
Increase in Reserve for Inventory	1,940	0	0
Fund Balance at End of Year	\$ 698,580	\$ 54,834	\$ 5,055

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	0	\$	2,200,144
	0		1,273,779
	0		16,716
	0		1,100,913
	20,000		48,031
	20,000		4,639,583
	0		195,890
	0		1,409,608
	0		81,890
	0		407,691
	0		1,865,714
	0		22,075
	0		466,535
	0		134,806
	0		18,147
	0		50,443
	0		19,016
	0		13,650
	19,000		19,565
	0		12,538
	19,000		4,717,568
	1,000		(77,985)
	20,000		855,514
	0		1,940
\$	21,000	\$	779,469

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds

(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

GENERAL FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 1,853,936	\$ 1,900,157	\$ 46,221
Customer Services	1,235,050	1,273,779	38,729
Investment Income	50,000	16,716	(33,284)
Tuition and Fees	1,103,000	1,083,079	(19,921)
Miscellaneous	13,700	29,570	15,870
Total Revenues	4,255,686	4,303,301	47,615
Expenditures			
Current:			
Instruction:	1,951,391	1,669,707	281,684
Support Services			
Pupils	466,744	387,489	79,255
Instructional Staff	2,076,391	1,774,881	301,510
Board of Education	51,537	24,408	27,129
Administration	557,335	494,404	62,931
Fiscal	144,776	134,824	9,952
Business	19,325	18,144	1,181
Operation and Maintenance of Plant	48,780	46,115	2,665
Pupil Transportation	6,700	4,105	2,595
Central	52,634	43,398	9,236
Operation of Non-Instructional Services	1,200	565	635
Extracurricular Activities	23,403	12,624	10,779
Total Expenditures	5,400,216	4,610,664	789,552
Excess of Revenues Over (Under) Expenditures	(1,144,530)	(307,363)	837,167
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	1,926	5,835	3,909
Refund of Prior Year Receipts	0	0	0
Other Financing Uses	(60)	(30)	30
Advances In	17,000	17,000	0
Advances Out	(19,062)	(17,500)	1,562
Total Other Financing Sources (Uses)	(196)	5,305	5,501
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,144,726)	(302,058)	842,668
Fund Balance at Beginning of Year	954,442	954,442	0
Prior Year Encumbrances Appropriated	121,074	121,074	0
Fund Balance (Deficit) at End of Year	\$ (69,210)	\$ 773,458	\$ 842,668

See accompanying notes to the general purpose financial statements.

SPECIAL REVENUE FUND				CAPITAL PROJECTS FUND			
Revised Budget	Actual	Variance Favorable (Unfavorable)		Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$ 400,235	\$ 276,618	\$ (123,617)		\$ 9,892	\$ 9,892	\$ 0	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
9,141	9,141	0		0	0	0	
<u>409,376</u>	<u>285,759</u>	<u>(123,617)</u>		<u>9,892</u>	<u>9,892</u>	<u>0</u>	
164,577	159,233	5,344		0	0	0	
27,511	26,839	672		0	0	0	
189,320	164,837	24,483		9,892	9,855	37	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
4,425	4,425	0		0	0	0	
16,992	16,791	201		0	0	0	
18,038	179	17,859		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
<u>420,863</u>	<u>372,304</u>	<u>48,559</u>		<u>9,892</u>	<u>9,855</u>	<u>37</u>	
<u>(11,487)</u>	<u>(86,545)</u>	<u>(75,058)</u>		<u>0</u>	<u>37</u>	<u>37</u>	
0	0	0		0	0	0	
0	0	0		0	0	0	
0	0	0		0	0	0	
17,500	17,500	0		0	0	0	
(17,000)	(17,000)	0		0	0	0	
<u>500</u>	<u>500</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	
(10,987)	(86,045)	(75,058)		0	37	37	
114,541	114,541	0		0	0	0	
17,714	17,714	0		0	0	0	
<u>\$ 121,268</u>	<u>\$ 46,210</u>	<u>\$ (75,058)</u>		<u>\$ 0</u>	<u>\$ 37</u>	<u>\$ 37</u>	

(continued)

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds

(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2002

EXPENDABLE TRUST FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 0	\$ 0	\$ 0
Customer Services	0	0	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Miscellaneous	0	20,000	20,000
Total Revenues	0	20,000	20,000
Expenditures			
Current:			
Instruction:	0	0	0
Support Services			
Pupils	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	0	0	0
Operation of Non-Instructional Services	40,000	19,000	21,000
Extracurricular Activities	0	0	0
Total Expenditures	40,000	19,000	21,000
Excess of Revenues Over (Under) Expenditures	(40,000)	1,000	41,000
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Other Financing Uses	0	0	0
Advances In	0	0	0
Advances Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(40,000)	1,000	41,000
Fund Balance at Beginning of Year	20,000	20,000	0
Prior Year Encumbrances Appropriated	0	0	0
Fund Balance (Deficit) at End of Year	\$ (20,000)	\$ 21,000	\$ 41,000

See accompanying notes to the general purpose financial statements.

TOTALS
(MEMORANDUM ONLY)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,264,063	\$ 2,186,667	\$ (77,396)
1,235,050	1,273,779	38,729
50,000	16,716	(33,284)
1,103,000	1,083,079	(19,921)
22,841	58,711	35,870
<u>4,674,954</u>	<u>4,618,952</u>	<u>(56,002)</u>
2,115,968	1,828,940	287,028
494,255	414,328	79,927
2,275,603	1,949,573	326,030
51,537	24,408	27,129
557,335	494,404	62,931
144,776	134,824	9,952
19,325	18,144	1,181
53,205	50,540	2,665
23,692	20,896	2,796
70,672	43,577	27,095
41,200	19,565	21,635
23,403	12,624	10,779
<u>5,870,971</u>	<u>5,011,823</u>	<u>859,148</u>
<u>(1,196,017)</u>	<u>(392,871)</u>	<u>803,146</u>
1,926	5,835	3,909
0	0	0
(60)	(30)	30
34,500	34,500	0
<u>(36,062)</u>	<u>(34,500)</u>	<u>1,562</u>
<u>304</u>	<u>5,805</u>	<u>5,501</u>
(1,195,713)	(387,066)	808,647
1,088,983	1,088,983	0
138,788	138,788	0
<u>\$ 32,058</u>	<u>\$ 840,705</u>	<u>\$ 808,647</u>

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2001

	Governmental Fund Types	
	General	Special Revenue
<u>Assets and Other Debits</u>		
<u>Assets</u>		
Cash and Cash Equivalents - Unrestricted	\$ 1,076,041	\$ 132,257
Receivables:		
Accounts	0	0
Interfund	17,000	0
Intergovernmental Receivable	737,807	0
Prepaid Items	4,812	0
Materials and Supplies Inventory	2,481	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0
<u>Other Debits</u>		
Amount to be Provided From General Government Resources	0	0
Total Assets and Other Debits	\$ 1,838,141	\$ 132,257
<u>Liabilities, Fund Equity, and Other Credits</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 133	\$ 0
Accrued Wages and Benefits	201,304	0
Compensated Absences Payable	0	0
Interfund Payable	0	17,000
Intergovernmental Payable	289,426	8,227
Deferred Revenue	618,794	0
Undistributed Monies	0	0
Claims Payable	0	0
Capital Lease Payable	0	0
Total Liabilities	1,109,657	25,227
<u>Fund Equity and Other Credits</u>		
Investment in General Fixed Assets	0	0
Fund Balance:		
Reserved for Encumbrances	120,941	17,714
Reserved for Inventory	2,481	0
Reserved for Prepaid Items	4,812	0
Unreserved:		
Undesignated	600,250	89,316
Total Fund Equity and Other Credits	728,484	107,030
Total Liabilities, Fund Equity and Other Credits	\$ 1,838,141	\$ 132,257

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types		Account Groups		
Expendable Trust Fund	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$ 20,000	\$ 5,201,869	\$ 0	\$ 0	\$ 6,430,167
0	13,050	0	0	13,050
0	0	0	0	17,000
0	0	0	0	737,807
0	5,077	0	0	9,889
0	0	0	0	2,481
0	0	285,267	0	285,267
0	0	0	123,894	123,894
\$ 20,000	\$ 5,219,996	\$ 285,267	\$ 123,894	\$ 7,619,555

\$ 0	\$ 0	\$ 0	\$ 0	\$ 133
0	0	0	0	201,304
0	0	0	88,533	88,533
0	0	0	0	17,000
0	0	0	11,374	309,027
0	0	0	0	618,794
0	3,107,656	0	0	3,107,656
0	2,112,340	0	0	2,112,340
0	0	0	23,987	23,987
0	5,219,996	0	123,894	6,478,774
0	0	285,267	0	285,267
0	0	0	0	138,655
0	0	0	0	2,481
0	0	0	0	4,812
20,000	0	0	0	709,566
20,000	0	285,267	0	1,140,781
\$ 20,000	\$ 5,219,996	\$ 285,267	\$ 123,894	\$ 7,619,555

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

*Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances*

All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2001

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues				
Intergovernmental	\$ 1,796,255	\$ 243,876	\$ 0	\$ 2,040,131
Intergovernmental Unit Funding	1,101,252	0	0	1,101,252
Investment Income	51,910	0	0	51,910
Tuition and Fees	1,099,573	0	0	1,099,573
Miscellaneous	54,775	4,000	20,000	78,775
Total Revenues	4,103,765	247,876	20,000	4,371,641
Expenditures				
Current:				
Instruction				
Regular	140,399	58,002	0	198,401
Special	1,258,689	15,742	0	1,274,431
Other	61,547	2,000	0	63,547
Support Services:				
Pupils	270,206	17,141	0	287,347
Instructional Staff	1,619,009	161,963	0	1,780,972
Board of Education	16,779	0	0	16,779
Administration	416,849	380	0	417,229
Fiscal	140,632	0	0	140,632
Business	13,747	0	0	13,747
Operation and Maintenance of Plant	42,942	3,225	0	46,167
Pupil Transportation	2,585	1,982	0	4,567
Central	9,689	97	0	9,786
Operation of Non-Instructional Services	664	0	0	664
Extracurricular Activities	13,168	0	0	13,168
Total Expenditures	4,006,905	260,532	0	4,267,437
Excess of Revenues Over (Under) Expenditures	96,860	(12,656)	20,000	104,204
Fund Balance at Beginning Of Year	632,430	119,686	0	752,116
Decrease in Reserve for Inventory	(806)	0	0	(806)
Fund Balance at End of Year	\$ 728,484	\$ 107,030	\$ 20,000	\$ 855,514

See accompanying notes to the general purpose financial statements.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds

(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2001

GENERAL FUND			
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 1,739,998	\$ 1,775,757	\$ 35,759
Customer Services	1,052,624	1,078,742	26,118
Investment Income	50,000	51,910	1,910
Tuition and Fees	824,000	1,103,189	279,189
Miscellaneous	27,800	22,510	(5,290)
Total Revenues	3,694,422	4,032,108	337,686
Expenditures			
Current:			
Instruction:	1,618,917	1,502,899	116,018
Support Services			
Pupils	338,106	265,316	72,790
Instructional Staff	1,918,113	1,684,690	233,423
Board of Education	38,463	23,828	14,635
Administration	554,362	428,138	126,224
Fiscal	156,484	140,678	15,806
Business	19,825	13,747	6,078
Operation and Maintenance of Plant	87,884	45,112	42,772
Pupil Transportation	5,248	4,085	1,163
Central	48,771	9,329	39,442
Operation of Non-Instructional Services	750	664	86
Extracurricular Activities	22,752	13,170	9,582
Total Expenditures	4,809,675	4,131,656	678,019
Excess of Revenues Over (Under) Expenditures	(1,115,253)	(99,548)	1,015,705
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	10,613	10,613
Refund of Prior Year Receipts	(200)	0	200
Other Financing Uses	(61)	0	61
Advances In	0	16,000	16,000
Advances Out	(33,000)	(33,000)	0
Total Other Financing Sources (Uses)	(33,261)	(6,387)	26,874
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,148,514)	(105,935)	1,042,579
Fund Balance at Beginning of Year	1,007,642	1,007,642	0
Prior Year Encumbrances Appropriated	53,260	53,260	0
Fund Balance (Deficit) at End of Year	\$ (87,612)	\$ 954,967	\$ 1,042,579

(continued)

See accompanying notes to the general purpose financial statements

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

*Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual*

All Governmental Fund Types and Expendable Trust Funds

(Non-GAAP Budgetary Basis)

For the Year Ended June 30, 2001

SPECIAL REVENUE FUND

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 335,878	\$ 243,877	\$ (92,001)
Customer Services	0	0	0
Investment Income	0	0	0
Tuition and Fees	0	0	0
Miscellaneous	4,000	4,000	0
Total Revenues	<u>339,878</u>	<u>247,877</u>	<u>(92,001)</u>
Expenditures			
Current:			
Instruction:	115,135	71,589	43,546
Support Services			
Pupils	55,733	25,699	30,034
Instructional Staff	210,046	163,715	46,331
Board of Education	0	0	0
Administration	380	380	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	7,500	3,225	4,275
Pupil Transportation	13,000	6,682	6,318
Central	18,136	97	18,039
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Total Expenditures	<u>419,930</u>	<u>271,387</u>	<u>148,543</u>
Excess of Revenues Over (Under) Expenditures	<u>(80,052)</u>	<u>(23,510)</u>	<u>56,542</u>
Other Financing Sources (Uses)			
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipts	0	0	0
Other Financing Uses	0	0	0
Advances In	0	33,000	33,000
Advances Out	(16,000)	(16,000)	0
Total Other Financing Sources (Uses)	<u>(16,000)</u>	<u>17,000</u>	<u>33,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(96,052)</u>	<u>(6,510)</u>	<u>89,542</u>
Fund Balance at Beginning of Year	100,575	100,575	0
Prior Year Encumbrances Appropriated	20,477	20,477	0
Fund Balance (Deficit) at End of Year	<u>\$ 25,000</u>	<u>\$ 114,542</u>	<u>\$ 89,542</u>

See accompanying notes to the general purpose financial statements.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
\$ 0	\$ 0	\$ 0	\$ 2,075,876	\$ 2,019,634	\$ (56,242)	
0	0	0	1,052,624	1,078,742	26,118	
0	0	0	50,000	51,910	1,910	
0	0	0	824,000	1,103,189	279,189	
20,000	20,000	0	51,800	46,510	(5,290)	
20,000	20,000	0	4,054,300	4,299,985	245,685	
0	0	0	1,734,052	1,574,488	159,564	
0	0	0	393,839	291,015	102,824	
0	0	0	2,128,159	1,848,405	279,754	
0	0	0	38,463	23,828	14,635	
0	0	0	554,742	428,518	126,224	
0	0	0	156,484	140,678	15,806	
0	0	0	19,825	13,747	6,078	
0	0	0	95,384	48,337	47,047	
0	0	0	18,248	10,767	7,481	
0	0	0	66,907	9,426	57,481	
20,000	0	20,000	20,750	664	20,086	
0	0	0	22,752	13,170	9,582	
20,000	0	20,000	5,249,605	4,403,043	846,562	
0	20,000	20,000	(1,195,305)	(103,058)	1,092,247	
0	0	0	0	10,613	10,613	
0	0	0	(200)	0	200	
0	0	0	(61)	0	61	
0	0	0	0	49,000	49,000	
0	0	0	(49,000)	(49,000)	0	
0	0	0	(49,261)	10,613	59,874	
0	20,000	20,000	(1,244,566)	(92,445)	1,152,121	
0	0	0	1,108,217	1,108,217	0	
0	0	0	73,737	73,737	0	
\$ 0	\$ 20,000	\$ 20,000	\$ (62,612)	\$ 1,089,509	\$ 1,152,121	

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service Center of Portage County (the "Center") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Center's accounting policies are described below.

DESCRIPTION OF THE ENTITY

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

The Educational Service Center of Portage County and the Portage County Local School Centers make up the Portage County Local School System. The Center is an administrative entity which operates under an elected Board of Education (five members) as defined by Section 3311.05 of the Ohio Revised Code. The Board employs 55 certified and 63 noncertified employees.

The Center adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, under which the financial statements include all the organizations, activities, functions and component units for which the Center is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the Center's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the Center.

On this basis, the combined financial statements include all of the funds and account groups of the Center over which the Center exercises operating control. It was determined the Center has no component units.

BASIS OF PRESENTATION - FUND ACCOUNTING

The Center uses funds and account groups to report its financial position and results of operation. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Center functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is then divided into various fund types. The following are the fund types and account groups utilized by the Center.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities, except those accounted for in proprietary and fiduciary funds, are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund

The general fund is the operating fund of the Center and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Project Funds

The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The following is the Center's fiduciary fund.

Expendable Trust Funds

Accounted for in essentially the same manner as the governmental fund types.

Agency Funds

These funds are purely custodial in nature and thus do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the Center.

General Long-Term Debt Account Group

This account group is established to account for all long-term obligations of the Center.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for reporting purposes by all governmental fund types. Under this method of accounting, the Center recognizes revenues in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectable within the current fiscal period or soon enough thereafter to be used to pay liabilities of the current fiscal period, which the Center considers to be sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on general long-term debt which is reported only when due, and the costs of accumulated unpaid vacation and sick leave which are reported as expenditures in the period in which they may be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

BUDGETARY PROCESS

Annually, on or before a date designated by the State Department of Education, the Center shall prepare a budget of operating expenses for the ensuing year for the Center and shall certify the budget to the State Board of Education.

The budget shall consist of two parts. Part (A) shall include the cost of salaries, employer retirement contributions and travel expenses of supervisory teachers. Part (B) shall include the cost of all other lawful expenditures of the Center. The State Board of Education will then review the budget and may approve, increase or decrease such budget.

Appropriations

The Center is not required to appropriate funds under Section 5705.38, Revised Code; however, expenditures must be based upon the budget. The Center may also adopt an appropriation measure. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by the Center throughout the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. During the year, several supplemental appropriation measures were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures in governmental funds.

Lapsing of Appropriations

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

DEPOSITS AND INVESTMENTS

The Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Center pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Investment income is recorded in the general fund, as permitted by the Ohio Revised Code. Investments are stated at cost which approximates fair value at year-end. Cash deposits are reported as carrying amount, which reasonably estimates fair value.

The Center has also invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002 and 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002 or 2001.

INVENTORY

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

FIXED ASSETS AND DEPRECIATION

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost when historical records are available and at an estimated historical cost when no historical cost records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The Center does not possess any infrastructure.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FIXED ASSETS AND DEPRECIATION (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets in the general fixed assets account group are not depreciated.

ADVANCES TO OTHER FUNDS

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

COMPENSATED ABSENCES

GASB Statement No. 16 specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met.

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The Center has accrued a liability for these compensated absences using the termination method when the following criteria is met.

The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the Center's past experience of making termination payments for sick leave.

For governmental funds, that portion of the liability which is non-current is reported in the general long-term debt account group. Liabilities that may use current expendable resources are recorded in the fund from which the employees are paid.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LONG-TERM DEBT

Long-term debt is recognized as a liability of a governmental fund when past due, or when resources have been accumulated in the debt service fund. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligation is reported in the general long-term debt account group.

FUND BALANCE RESERVES

Fund balance reserves represent that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, and prepaid items. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

INTERGOVERNMENTAL REVENUES

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. The Center currently participates in various state and federal programs.

INTERFUND TRANSACTIONS

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

TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis of Accounting

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

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

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	June 30, 2002				June 30, 2001		
	General	Special Revenue	Capital Projects	Expendable Trust	General	Special Revenue	Expendable Trust
GAAP Basis	\$ (31,844)	\$ (52,196)	\$ 5,055	\$ 1,000	\$ 96,860	\$ (12,656)	\$ 20,000
Net adjustment for revenue accruals	28,053	(8,349)	0	0	(45,044)	33,000	0
Net adjustment for expenditures accruals	(223,223)	(18,262)	(3,063)	0	(36,676)	(9,141)	0
Encumbrances	(75,044)	(7,238)	(1,955)	0	(121,075)	(17,713)	0
Budget Basis	\$ (302,058)	\$ (86,045)	\$ 37	\$ 1,000	\$ (105,935)	\$ (6,510)	\$ 20,000

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2002 and 2001, the District has implemented GASB Statement No.33, “Accounting and Financial Reporting for Nonexchange Transactions,” and GASB Statement No. 36, “Reporting for Certain Shared Nonexchange Revenues.” The statements established accounting and reporting guidelines for governments’ decisions about when (in the fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The implementation of GASB Statement No. 33 and 36 did not have a material effect on fund balance/retained earnings as it was previously reported as of June 30, 2000.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Center's Treasurer is responsible for the safekeeping and investment of all public funds. It is also the Treasurer's responsibility to deposit and invest the Center's idle funds. The Center's practice is to limit investments to collateralized repurchase agreements and the State Treasurer's Asset Reserve of Ohio (STAR Ohio).

A. LEGAL REQUIREMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 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.

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

Interim monies can 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 issuance’s of federal government agencies or instrumentalities;

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

- (3) Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily with the term of the agreement not exceeding 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investments pool (STAR Ohio);
- (7) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred and eighty days 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of Educational Service Center of Portage County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific 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.

Protection of the Center's cash and investments is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral generally must equal at least 110% of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Deposits and Cash

At June 30, 2002, the Center has \$100 of petty cash on hand.

At year end, the carrying amount of the Center's deposits was (\$832,909) while the bank balance was \$430,898. Federal depository insurance covered \$200,000 of the bank balance. The remaining \$230,898 was uninsured and uncollateralized as defined by the GASB because the collateral pledged by the financial institutions or other trust departments or agents is not in the Center's name due to the fact that the pledging bank has an investment and securities pool used to collateralize all public deposits. This method of collateralization is expressly authorized by state statute.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments

The Center's investments are categorized below to give an indication of the level of risk assumed by the Center at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Center's name.

	Category			Carrying Value	Market Value
	1	2	3		
Overnight Repurchase Agreement	\$ 0	\$ 0	\$ 1,262,571	\$ 1,262,571	\$ 1,262,571
Key Bank - Money Market	0	0	1,409,906	1,409,906	1,409,906
	0	0	2,672,477		
STAR Ohio				<u>1,631,548</u>	<u>1,631,548</u>
Grand Total				<u>\$ 4,304,025</u>	<u>\$ 4,304,025</u>

The carrying amount of deposits and investments is presented on the combined balance sheet as Equity in Pooled Cash and Cash Equivalents.

STAR Ohio and Key Bank are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2002 and 2001 consisted of accounts (rent, student fees and miscellaneous charges for services), interest, and intergovernmental entitlements, grants and amounts due from other local governments for services rendered. All intergovernmental receivables are considered collectible in full due to the stable condition of state programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental grants and entitlements receivable follows:

Intergovernmental receivables:

	<u>2002</u>	<u>2001</u>
General Fund	\$ 1,029,893	\$ 737,807
Special Revenue	25,849	0
Total	<u>\$ 1,055,742</u>	<u>\$ 737,807</u>

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 6 - FIXED ASSETS

A summary of the changes in general fixed assets follows:

	Balance <u>7/1/2001</u>	Additions	Reductions	Balance <u>6/30/2002</u>
Furniture and equipment	\$ 285,267	\$ 77,500	\$ 21,184	\$ 341,583
Total	<u>\$ 285,267</u>	<u>\$ 77,500</u>	<u>\$ 21,184</u>	<u>\$ 341,583</u>

	Balance <u>7/1/2000</u>	Additions	Reductions	Balance <u>6/30/2001</u>
Furniture and equipment	\$ 276,036	\$ 9,231	\$ 0	\$ 285,267
Total	<u>\$ 276,036</u>	<u>\$ 9,231</u>	<u>\$ 0</u>	<u>\$ 285,267</u>

NOTE 7 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2002 and 2001 consisted of the following:

	Balance <u>7/1/2001</u>	Additions	Reductions	Balance <u>6/30/2002</u>
Compensated Absences Payable	\$ 88,533	\$ 0	\$ 2,672	\$ 85,861
Capital Lease Payable	23,987	0	23,987	0
Intergovernmental Payable	11,374	13,937	11,374	13,937
Total General Long-Term Obligations	<u>\$ 123,894</u>	<u>\$ 13,937</u>	<u>\$ 38,033</u>	<u>\$ 99,798</u>

	Balance <u>7/1/2000</u>	Additions	Reductions	Balance <u>6/30/2001</u>
Compensated Absences Payable	\$ 75,548	\$ 12,985	\$ 0	\$ 88,533
Capital Lease Payable	23,987	0	0	23,987
Intergovernmental Payable	11,470	11,374	11,470	11,374
Total General Long-Term Obligations	<u>\$ 111,005</u>	<u>\$ 24,359</u>	<u>\$ 11,470</u>	<u>\$ 123,894</u>

NOTE 8 – CAPITAL LEASE

The District is obligated under a lease accounted for as a capital lease. The leased asset and related obligation are accounted for in the general fixed asset account group and the general long-term debt account group, respectively. The asset under capital lease totaled \$40,091 at both June 30, 2002 and 2001. The lease is effective into fiscal year 2003, however, due to the fact that the lease is paid annually and the final payment was made in fiscal year 2002, there is no capital lease obligation outstanding as of June 30, 2002.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

**NOTES TO THE GENERAL FINANCIAL STATEMENTS
JUNE 30, 2002**

NOTE 9 – INTERFUND TRANSACTIONS

Interfund balance at June 30, 2002 and 2001 consist of the following individual fund receivables and payables:

	Balance 6/30/2002		Balance 6/30/2001	
	Receivable	Payable	Receivable	Payable
General	\$ 17,500	\$ 0	\$ 17,000	\$ 0
Special Revenue	0	17,500	0	17,000
	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ 17,000</u>	<u>\$ 17,000</u>

NOTE 10 - PENSION PLANS

School Employees Retirement System (SERS)

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple-employer public employee retirement defined benefit pension plan. SERS provides retirement, annual cost-of-living adjustments, disability, survivor and health care benefits. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and the Center are established and may be amended by the SERS Board of Trustees. The Center’s contributions to SERS for the years ending June 30, 2002, 2001, and 2000 were \$132,296, \$99,175, and \$90,643, respectively, 90 % has been contributed for fiscal year 2002 and 100% for the fiscal year 2001 and 2000. The amount representing the unpaid contribution for fiscal year 2002 was \$13,937 is recorded as a liability within the respective funds and the general long-term obligation account group.

The Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple-employer public employee retirement defined benefit pension plan operated by the State of Ohio. STRS provides retirement, annual cost-of-living adjustments, disability, survivor and health care benefits. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report can be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirement of plan members and the Center are established and may be amended by the STRS Board of Trustees. The Center’s contributions to STRS for the years ending June 30, 2002, 2001 and 2000, were \$270,894, \$272,369, and \$258,127, respectively. No contribution for fiscal year 2002 has been made, 100% of the contribution for fiscal year 2002, 2001, and 2000 has been made. The amount representing the unpaid contribution for fiscal year 2002, \$21,757, is recorded as a liability within the respective funds.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premiums for health care. The portion is based on years of service up to a maximum of 75% of their premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, (the latest information available) the allocation rate was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001 the minimum pay has been established as \$12,400.

Health care benefits are financed on a pay-as-you-go basis.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits was \$315.7 million, at cost. The number of participant's currently receiving health care benefits is approximately 50,000. The portion of employer contributions that was used to fund postemployment benefits for fiscal year 2002 and 2001, was \$92,607 and \$59,862, respectively.

State Teachers Retirement System (STRS)

The State Teachers Retirement System of Ohio (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care costs in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001, (the latest information available). For the year ended June 30, 2001, the net health care costs paid by STRS were \$300,772,000. There were 102,132 eligible benefit recipients.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 12 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twelve months. Teachers and administrators do not earn vacation time. All employees of the Center earn sick leave at the rate of one and one-fourth days per month. Upon retirement, 25% of the accumulation of unused sick leave days up to 120 days, will be awarded to an employee with 10 years of service or more at the Center. The employee will also be awarded 10% of the days accumulated over 120 days up to the maximum allowable per labor agreement.

The amount of accumulated vacation and sick leave of employees paid from governmental funds that meets the eligibility requirements has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term debt account group.

NOTE 13 - RISK MANAGEMENT

The Center participates in the Portage County School Consortium which is a co-operative entity to facilitate effective risk management and to share the cost of providing various insurance coverage and employee benefits. There has not been a significant reduction in coverage from the prior year.

Portage County School Consortium

The Portage County School Consortium was established in 1981 so that 12 educational-service providers in Portage County could manage risk exposures and purchase necessary insurance coverage as a group. The Health and Welfare Trust is organized under the provisions of Section 501(c)(9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The Center pays all insurance premiums directly the consortium. Also, the insurance agreement with Portage County School Consortium provides that the Consortium will reinsure through commercial companies for claims over \$100,000 per employee. Although the Center does not participate in the day-to-day management of the consortium, one of its administrators serves as a trustee of the consortium's governing board as provided in the consortium's enabling authority. Although the Center recognizes that it retains a contingent liability to provide insurance coverage should the assets of the consortium become depleted, it is the opinion of management that the assets of the consortium are sufficient to meet its claims.

Effective January 1, 1998, the Educational Service Center of Portage County is the fiscal agent of the Consortium.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 14 - CONTINGENCIES

Grants

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2002.

Litigation

The Center is not currently a party to any legal proceedings.

NOTE 15 – OTHER MATTERS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis of determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. This case is now under consideration by the Court.

The District is currently unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

NOTES TO THE GENERAL FINANCIAL STATEMENTS JUNE 30, 2002

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 28 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports SPARCC based upon a per pupil charge dependent upon the software package utilized. However, since the Service Center is a county governmental entity, they are not required to pay any fees to SPARCC. The SPARCC assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. SPARCC is governed by a board of directors chosen from the general membership of the SPARCC assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county in which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Stark County Education Service Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

December 5, 2002

The Board of Education
Educational Service Center of Portage County
Ravenna, Ohio 44266

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the general purpose financial statements of the Educational Service Center of Portage County as of and for the years ended June 30, 2002 and 2001, and have issued our report thereon dated December 5, 2002. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Educational Service Center of Portage County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center of Portage County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Educational Service Center of Portage County in a separate letter dated December 5, 2002.

This report is intended for the information of the Board of Education, management, and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



**Auditor of State
Betty Montgomery**

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EDUCATIONAL SERVICE CENTER OF PORTAGE COUNTY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**