



**CUYAHOGA COUNTY EDUCATIONAL SERVICE CENTER  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P. O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



**CUYAHOGA COUNTY EDUCATIONAL SERVICE CENTER  
CUYAHOGA COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

## INDEPENDENT ACCOUNTANT'S REPORT

Governing Board  
Cuyahoga County Educational Service Center  
Cuyahoga County  
5700 West Canal Road  
Valley View, Ohio 44125

We have audited the accompanying general-purpose financial statements of the Cuyahoga County Educational Service Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2002, 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 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 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 Cuyahoga County Educational Service Center, Cuyahoga County, Ohio, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19 to the June 30, 2002 accompanying financial statements, the Service Center restated the Investment Trust Fund as of June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 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 grants. That 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.

The accompanying schedule of federal awards expenditures is presented for additional analysis as 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

**Jim Petro**  
Auditor of State

December 20, 2002



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**Cuyahoga County Educational Service Centerr**

*Combined Balance Sheet*

*All Fund Types and Account Groups*

*June 30, 2002*

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>
<b><i>Assets and Other Debits</i></b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$10,811,097	\$728,529	\$2,476,200
Cash and Cash Equivalents In Segregated Accounts	0	0	22,500
Investments In Segregated Accounts	0	0	198,327
Receivables:			
Intergovernmental	8,285,555	1,186,203	509,722
Accrued Interest	27,234	0	5,433
Interfund Receivable	1,168,700	0	0
Prepaid Items	390,473	29,110	0
Fixed Assets	0	0	0
<b>Other Debits</b>			
Amount to be Provided from General Government Resources	0	0	0
<b><i>Total Assets and Other Debits</i></b>	<b><u>\$20,683,059</u></b>	<b><u>\$1,943,842</u></b>	<b><u>\$3,212,182</u></b>
 <b><i>Liabilities, Fund Equity and Other Credits</i></b>			
<b>Liabilities</b>			
Accounts Payable	\$32,404	\$104,035	\$0
Contracts Payable	18,426	14,300	0
Accrued Wages	2,358,156	29,137	0
Compensated Absences Payable	29,636	18,511	0
Interfund Payable	0	860,700	308,000
Intergovernmental Payable	301,962	15,886	154,475
Deferred Revenue	2,023,584	135,372	351,375
<b><i>Total Liabilities</i></b>	<b><u>4,764,168</u></b>	<b><u>1,177,941</u></b>	<b><u>813,850</u></b>
 <b>Fund Equity and Other Credits</b>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Held in Trust for Pool Participants	0	0	2,177,505
Held for Individual Investment Account	0	0	220,827
Reserved for Encumbrances	102,745	260,728	0
Unreserved, Undesignated	15,816,146	505,173	0
<b><i>Total Fund Equity and Other Credits</i></b>	<b><u>15,918,891</u></b>	<b><u>765,901</u></b>	<b><u>2,398,332</u></b>
<b><i>Total Liabilities, Fund Equity and Other Credits</i></b>	<b><u>\$20,683,059</u></b>	<b><u>\$1,943,842</u></b>	<b><u>\$3,212,182</u></b>

See accompanying notes to the general purpose financial statements

Account Groups		
General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$0	\$0	\$14,015,826
0	0	22,500
0	0	198,327
0	0	9,981,480
0	0	32,667
0	0	1,168,700
0	0	419,583
414,615	0	414,615
0	848,038	848,038
<u>\$414,615</u>	<u>\$848,038</u>	<u>\$27,101,736</u>
\$0	\$0	\$136,439
0	0	32,726
0	0	2,387,293
0	792,740	840,887
0	0	1,168,700
0	55,298	527,621
0	0	2,510,331
0	848,038	7,603,997
414,615	0	414,615
0	0	2,177,505
0	0	220,827
0	0	363,473
0	0	16,321,319
<u>414,615</u>	<u>0</u>	<u>19,497,739</u>
<u>\$414,615</u>	<u>\$848,038</u>	<u>\$27,101,736</u>

**Cuyahoga County Educational Service Center**  
*Combined Statement of Revenues, Expenditures and Changes in Fund Balances*  
*All Governmental Fund Types*  
*For the Fiscal Year Ended June 30, 2002*

	General Fund	Special Revenue	Totals (Memorandum Only)
<b>Revenues</b>			
Intergovernmental	\$2,903,985	\$4,973,169	\$7,877,154
Interest	737,717	0	737,717
Rentals	500	0	500
Contributions and Donations	1,792	8,137	9,929
Customer Services	46,914,197	0	46,914,197
Miscellaneous	312,431	9,200	321,631
<i>Total Revenues</i>	<u>50,870,622</u>	<u>4,990,506</u>	<u>55,861,128</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	283,839	90,333	374,172
Special	17,899,175	68,575	17,967,750
Vocational	161,243	0	161,243
Adult/Continuing	0	142,489	142,489
Support Services:			
Pupils	5,085,559	1,013,569	6,099,128
Instructional Staff	9,570,293	210,794	9,781,087
Board of Education	42,699	0	42,699
Administration	6,949,943	2,471,042	9,420,985
Fiscal	390,148	74,597	464,745
Business	1,627	860	2,487
Operation and Maintenance of Plant	91,984	197,255	289,239
Pupil Transportation	2,073	0	2,073
Central	19,974	162,818	182,792
Operation of Non-Instructional Services	3,895,506	96,649	3,992,155
Extracurricular Activities	259	0	259
<i>Total Expenditures</i>	<u>44,394,322</u>	<u>4,528,981</u>	<u>48,923,303</u>
<i>Excess of Revenues Over Expenditures</i>	6,476,300	461,525	6,937,825
<i>Fund Balances Beginning of Year</i>	<u>9,442,591</u>	<u>304,376</u>	<u>9,746,967</u>
<i>Fund Balances End of Year</i>	<u><u>\$15,918,891</u></u>	<u><u>\$765,901</u></u>	<u><u>\$16,684,792</u></u>

See accompanying notes to the general purpose financial statements

**Cuyahoga County Educational Service Center**  
*Combined Statement of Revenues, Expenditures, and Changes In  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 2002*

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues</b>			
Intergovernmental	\$2,921,379	\$2,921,379	\$0
Interest	847,242	847,242	0
Rentals	500	500	0
Extracurricular Activities	50	50	0
Contributions and Donations	1,792	1,792	0
Customer Services	40,652,226	40,652,226	0
Miscellaneous	312,381	312,381	0
<i>Total Revenues</i>	<u>44,735,570</u>	<u>44,735,570</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	297,269	297,269	0
Special	17,551,220	17,685,513	(134,293)
Vocational	164,609	164,609	0
Adult/Continuing	0	0	0
Support Services:			
Pupils	5,047,605	5,047,605	0
Instructional Staff	9,058,371	9,058,371	0
Board of Education	44,029	44,029	0
Administration	6,964,929	6,964,928	1
Fiscal	396,988	396,988	0
Business	1,932	1,932	0
Operational and Maintenance of Plant	104,424	104,424	0
Pupil Transportation	2,103	2,103	0
Central	22,335	22,335	0
Operation of Non-Instructional Services	3,786,020	3,786,020	0
Extracurricular Activities	259	259	0
<i>Total Expenditures</i>	<u>43,442,093</u>	<u>43,576,385</u>	<u>(134,292)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,293,477</u>	<u>1,159,185</u>	<u>(134,292)</u>
<b>Other Financing Sources (Uses)</b>			
Advance In	678,000	678,000	0
Advance Out	(1,168,700)	(1,168,700)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(490,700)</u>	<u>(490,700)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	802,777	668,485	(134,292)
<i>Fund Balances Beginning of Year</i>	9,744,746	9,744,746	0
Prior Year Encumbrances Appropriated	150,445	150,445	0
<i>Fund Balances End of Year</i>	<u>\$10,697,968</u>	<u>\$10,563,676</u>	<u>(\$134,292)</u>

(continued)

See accompanying notes to the general purpose financial statements

**Cuyahoga County Educational Service Center**  
*Combined Statement of Revenues, Expenditures, and Changes In  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 2002*

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Intergovernmental	\$3,922,338	\$3,922,338	\$0
Interest	0	0	0
Rentals	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	8,137	8,137	0
Customer Services	0	0	0
Miscellaneous	9,200	9,200	0
<i>Total Revenues</i>	<u>3,939,675</u>	<u>3,939,675</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	93,986	100,266	(6,280)
Special	72,790	72,790	0
Vocational	0	0	0
Adult/Continuing	147,791	185,836	(38,045)
Support Services:			
Pupils	1,011,124	1,011,123	1
Instructional Staff	169,577	197,810	(28,233)
Board of Education	0	0	0
Administration	2,286,526	2,538,528	(252,002)
Fiscal	74,813	74,813	0
Business	0	0	0
Operational and Maintenance of Plant	245,415	245,415	0
Pupil Transportation	0	0	0
Central	144,293	144,293	0
Operation of Non-Instructional Services	144,441	144,441	0
Extracurricular Activities	0	0	0
<i>Total Expenditures</i>	<u>4,390,756</u>	<u>4,715,315</u>	<u>(324,559)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(451,081)</u>	<u>(775,640)</u>	<u>(324,559)</u>
<b>Other Financing Sources (Uses)</b>			
Advance In	860,700	860,700	0
Advance Out	(19,000)	(19,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>841,700</u>	<u>841,700</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</i>	390,619	66,060	(324,559)
<i>Fund Balances Beginning of Year</i>	190,400	190,400	0
Prior Year Encumbrances Appropriated	146,624	146,624	0
<i>Fund Balances End of Year</i>	<u>\$727,643</u>	<u>\$403,084</u>	<u>(\$324,559)</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$6,843,717	\$6,843,717	\$0
847,242	847,242	0
500	500	0
50	50	0
9,929	9,929	0
40,652,226	40,652,226	0
321,581	321,581	0
<u>48,675,245</u>	<u>48,675,245</u>	<u>0</u>
391,255	397,535	(6,280)
17,624,010	17,758,303	(134,293)
164,609	164,609	0
147,791	185,836	(38,045)
6,058,729	6,058,728	1
9,227,948	9,256,181	(28,233)
44,029	44,029	0
9,251,455	9,503,456	(252,001)
471,801	471,801	0
1,932	1,932	0
349,839	349,839	0
2,103	2,103	0
166,628	166,628	0
3,930,461	3,930,461	0
259	259	0
<u>47,832,849</u>	<u>48,291,700</u>	<u>(458,851)</u>
<u>842,396</u>	<u>383,545</u>	<u>(458,851)</u>
1,538,700	1,538,700	0
(1,187,700)	(1,187,700)	0
<u>351,000</u>	<u>351,000</u>	<u>0</u>
1,193,396	734,545	(458,851)
9,935,146	9,935,146	0
<u>297,069</u>	<u>297,069</u>	<u>0</u>
<u>\$11,425,611</u>	<u>\$10,966,760</u>	<u>(\$458,851)</u>

**Cuyahoga County Educational Service Center**  
*Combined Statement of Changes in Net Assets*  
*Fiduciary Fund Type*  
*For the Fiscal Year Ended June 30, 2002*

	Investment Trust
<b>Revenues</b>	
Interest	\$58,861
<b>Expenses</b>	
Operating Expenses	0
<i>Net Increase in Assets Resulting From Operations</i>	58,861
Distributions to Participants	(72,574)
Capital Transactions	171,568
<i>Total Increase in Net Assets</i>	157,855
<i>Net Assets Beginning of Year (Restated - See Note 19)</i>	2,240,477
<i>Net Assets End of Year</i>	\$2,398,332

See accompanying notes to the general purpose financial statements



***Cuyahoga County Educational Service Center***  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Note 1 – Description of the Educational Service Center**

In 1914, the Cuyahoga County Educational Service Center (“Educational Service Center”) was formed. The Educational Service Center supplies special education, supervisory, administrative, fiscal and other needed services to area school districts and educational service centers in Cuyahoga, Lake, Lorain, and Geauga County.

The Educational Service Center operates under a locally-elected five-member Governing Board form of government and provides educational services as mandated by State or federal agencies to three local, twenty-six city, and one exempted village school districts. The Board controls the Educational Service Center’s staff who provide services to over 123,199 students and other community members in Cuyahoga County.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service Center. For the Cuyahoga County Educational Service Center, this includes general operations and related activities of the Educational Service Center.

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

The Educational Service Center is associated with six jointly governed organizations and one insurance purchasing pool. These organizations are the Lakeshore Northeast Ohio Computer Association, Cuyahoga Media Center, Alliance for School Funding, Cuyahoga County Early Intervention Collaborative, Positive Education Program, Cuyahoga County Special Education Regional Resource Center and the Ohio School Boards Association Workers’ Compensation Group Rating Program. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

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

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

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**A. Basis of Presentation - Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group 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.

For financial statement presentation purposes, the various funds of the Educational Service Center are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

**Governmental Fund Types** Governmental funds are those through which most governmental functions of the Educational Service Center are financed. The acquisition, use, and balances of the Educational Service Center's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the Educational Service Center's governmental fund types:

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

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

**Fiduciary Fund Types** Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The Educational Service Center has investment trust funds which are accounted for using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and 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 between 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 Educational Service Center.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the Educational Service Center.

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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***B. Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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.

Investment trust funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency fund. The full accrual basis of accounting is followed for the investment trust funds.

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

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

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

***Deferred Revenue*** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are also recorded as deferred revenue.

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

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

*Cuyahoga County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002*

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**C. Budgetary Data**

The budgetary process entails preparation of budgetary documents within an established timetable.

The Educational Service Center adopts its budget for all funds, other than agency funds, on or before the start of the new fiscal year. For fiscal year 2002, the investment trust fund was classified as an agency fund for budgetary purposes. For budgeted funds, the budget includes the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised and accepted by the Board to include any unencumbered cash balances from the preceding fiscal year. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenditures of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Department of Education reviews the budget and certifies to each Board of Education, under the supervision of the Educational Service Center, the amount from part (B) that is to be apportioned to their school district.

**Appropriations** The annual appropriation resolution is enacted by the Educational Service Center at the fund and function level of expenditures for the General Fund and the fund level of expenditures for all other funds. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The appropriation resolution, by fund, is limited by the estimated resources, and the total of expenditures and encumbrances is controlled so as to not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within the General Fund are approved by the Educational Service Center's Board. Appropriation allocations at the object level within the General Fund or at the function and object level within all other funds are made by the Educational Service Center Treasurer.

The Educational Service Center may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in budget approved by the State Department of Education. The budget figures which appear on the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except investment trust and agency funds.

**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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures.

**Lapsing of Appropriations** At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

***Cuyahoga County Educational Service Center***  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2002***

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***D. Cash and Cash Equivalents***

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2002, investments were limited to Victory Federal Money Market Mutual Fund and STAROhio.

The Cuyahoga County Educational Service Center has invested funds in STAROhio (the State Treasury Asset Reserve of Ohio). 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.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$737,717 which includes \$124,262 assigned from other Educational Service Center funds.

The Educational Service Center has segregated bank accounts for an individual investment account held separate from the Educational Service Center's central bank account. This money is presented on the combined balance sheet as "cash and cash equivalents in segregated accounts" or "investments in segregated accounts" since they are not required to be deposited into the Educational Service Center's treasury.

For purposes of the presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

***E. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***F. Inventory***

Inventories 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 is recorded as an expenditure 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 expendable resources even though it is a component of net current assets. Since the inventory balance at June 30, 2002, was not significant, an amount was not reported on the combined balance sheet.

***Cuyahoga County Educational Service Center***  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2002***

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***G. Fixed Assets and Depreciation***

The Educational Services Center's only fixed assets are general capital assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. The Educational Service Center maintains a capitalization threshold of five hundred dollars for all assets. The Educational Service Center does not possess any infrastructure. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Assets in the general fixed assets account group are not depreciated.

***H. Flow-Through Grants***

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund.

***I. Interfund Assets and Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." During the fiscal year 2002, there were advances in and advances out in the agency funds. Since agency funds do not present budgetary statements, advances in and advances out do not balance on a budgetary basis.

***J. Compensated Absences***

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

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after fiscal year end are considered not to have been paid with current available financial resources.

***L. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures 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.

***M. Fund Balance Reserves***

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

***N. Estimates***

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

***O. Total Columns on General Purpose Financial Statements***

Total columns on the general purpose financial statements are captioned "Totals (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 cash flows 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.

**Note 3 - Budgetary Basis of Accounting**

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

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue
GAAP Basis	\$6,476,300	\$461,525
Revenue Accruals	(6,202,538)	(1,050,831)
Advance In	678,000	860,700
Expenditure Accruals	1,019,715	138,225
Advance Out	(1,168,700)	(19,000)
Encumbrances	(134,292)	(324,559)
Budget Basis	\$668,485	\$66,060

**Note 4 - Deposits and Investments**

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

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

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

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



*Cuyahoga County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002*

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

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) 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 investment pool (STAROhio);
7. Certain bankers' acceptances 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 moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

**Cash on Hand** At year end, the Educational Service Center had \$100 in undeposited cash on hand which is included on the balance sheet of the Educational Service Center as part of "equity in pooled cash and cash equivalents."

**Deposits** At year-end, the carrying amount of the Educational Service Center's deposits was \$12,998,725 and the bank balance was \$14,674,834. \$237,335 of the bank balance was covered by federal depository insurance. \$14,437,499 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

**Investments** The Educational Service Center's investments are required to be categorized below to give an indication of the level of custodial credit risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the Educational Service Center's name. The Victory Money Market Mutual Fund and STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAROhio	\$7,962
STAROhio	198,327
Victory Money Market Mutual Fund	1,031,539
	\$1,237,828

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$14,038,326	\$198,327
Cash on Hand	(100)	0
Investments which are part of the cash management pool:		
STAROhio	(7,962)	7,962
Victory Federal Money Market Mutual Fund	(1,031,539)	1,031,539
GASB Statement No. 3	\$12,998,725	\$1,237,828

**Note 5 - Receivables**

Receivables at June 30, 2002, consisted of accounts and intergovernmental monies. All receivables are considered collectible in full because of the stable condition of State programs and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<b>General Fund</b>	
Special Education Excess Cost	\$8,271,416
State Cafeteria Subsidy	9,139
Gifted Program	5,000
Total General Fund	8,285,555
<b>Special Revenue Funds</b>	
Local Grants	331,604
Peer Assistance	3,045
Title VI-B	702,971
Title I	148,583
Total Special Revenue Funds	1,186,203
<b>Agency Funds</b>	
Ohio Schools Council	43,347
NC Quality Collaborative	20,000
SERRC	346,375
E I Evaluation and Assessment	100,000
Total Agency Funds	509,722
<i>Total All Funds</i>	\$9,981,480

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 2002

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**Note 6 – Investment Pool**

The Educational Service Center serves as fiscal agent for various legally separate entities. The Educational Service Center pools the moneys of these entities with the Educational Service center’s for investment purposes. The Educational Service Center cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. Condensed financial information for the investment pool follows:

Statement of Net Assets  
June 30, 2002

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$14,015,826
Interest Receivable	32,667
	<u>                    </u>
<i>Total Assets</i>	<u><u>\$14,048,493</u></u>
 <b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$11,870,988
External Portion	2,177,505
	<u>                    </u>
<i>Total Net Assets Held in Trust for Pool Participants</i>	<u><u>\$14,048,493</u></u>

Statement of Changes in Net Assets  
For Fiscal Year Ended June 30, 2002

<b>Revenues</b>	
Interest	\$796,578
 <b>Expenses</b>	
Operating Expenses	0
	<u>                    </u>
<i>Net Increase in Assets Resulting from Operations</i>	796,578
Distributions to Participants	(919,816)
Capital Transactions	(3,467,016)
	<u>                    </u>
<i>Total Decrease in Net Assets</i>	(3,590,254)
<i>Net Assets Beginning of Year</i>	17,638,747
	<u>                    </u>
<i>Net Assets End of Year</i>	<u><u>\$14,048,493</u></u>

**Cash on Hand** At year end, the investment pool had \$100 in undeposited cash on hand which is included on the balance sheet as part of “equity in pooled cash and cash equivalents”.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Deposits** At fiscal year end, the carrying amount of the investment pool's deposits was \$12,976,218 and the bank balance was \$14,637,499. Of the bank balance \$200,000 was covered by federal depository insurance and \$14,437,499 was uninsured and uncollateralized. Although the State statutory requirements for the deposit of the money had been followed, non-compliance with federal requirements could potentially subject the investment pool to a successful claim by the FDIC.

**Investments** The investment pool's investments are required to be categorized to give an indication of the level of risk assumed by the investment pool at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department of agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the Educational Service Center's name. The Victory Federal Money Market Mutual Fund and STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Fair Value
STAROhio	\$7,962
Victory Federal Money Market Mutual Funds	1,031,539
Totals	\$1,047,463

**Note 7 – Fixed Assets**

A summary of the general fixed assets at June 30, 2002, follows:

	Balance June 30, 2001	Additions	Deletions	Balance June 30, 2002
Furniture and Fixtures	\$394,895	\$44,221	\$24,501	\$414,615

**Note 8 – State Funding**

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's School Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$37. This amount is provided from State resources.

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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If additional funding is needed by the Educational Service Center, and if a majority of the Boards of Education of the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the School Foundation Program. The State Board of Education initiates and supervises the procedure under which school districts approve or disapprove the additional apportionment.

**Note 9 – Interfund Transactions**

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

Fund Type/Fund	Interfund Receivable	Interfund Payable
General	\$1,168,700	\$0
<b>Special Revenue Funds</b>		
Local Grants	0	490,300
Title I	0	45,700
Title VI-B	0	324,700
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>860,700</u>
<b>Agency Funds</b>		
Local Grants	0	257,500
Ohio Schools Council	0	43,300
CEILCG	0	7,200
<i>Total Agency Funds</i>	<u>0</u>	<u>308,000</u>
<i>Total All Funds</i>	<u><u>\$1,168,700</u></u>	<u><u>\$1,168,700</u></u>

**Note 10 - Risk Management**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the Educational Service Center contracted with Great American Alliance Insurance Company for general liability insurance. Leased vehicles are covered by Nationwide Insurance Company and have a \$250 deductible for comprehensive and a \$500 deductible for collision. The vehicle liability insurance is on an occurrence basis with a \$1,000,000 combined single limit.

Professional liability is protected by Great American Alliance Insurance Company with a \$5,000,000 aggregate/\$3,000,000 single occurrence limit and no deductible (includes \$2,000,000 umbrella).

Property insurance is protected by Indiana Insurance Company, Travelers Insurance, and Todd Associates, Inc. with a deductible of \$250.

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
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Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

***B. Workers' Compensation***

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Educational Service Centers is calculated as one experience and a common premium rate is applied to all Educational Service Centers in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. 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 GRP. Participation in the GRP is limited to Educational Service Centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension system. 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 State statute per 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.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent of annual covered salary was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$670,657, \$587,419 and \$709,191, respectively; 95.78 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$28,274 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
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**B. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$1,856,502, \$1,787,031 and \$1,047,848, respectively; 97.21 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$76,227 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**Note 12 - Postemployment Benefits**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS) and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$879,396 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent the premium.

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14



**Cuyahoga County Educational Service Center**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$1,418,967.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001, (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 13 - Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is not paid upon termination of employment. All employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 180 days for all employees.

Upon retirement, classified employees who have at least ten years service credit with SERS (the last five years with the Educational Service Center), are paid one-fourth of their accumulated sick days up to a maximum of 120 days. Certified employees, administrators and supervisors who have at least ten years service credit with the State (the last five years with the Educational Service Center), are paid one-fourth of their accumulated sick days up to a maximum of 120 days.

***B. Life Insurance***

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to all employees through Ohio Schools Council.

**Note 14 - Long-Term Obligations**

The changes in the Educational Service Center's long-term obligations during fiscal year 2002 were as following:

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
Pension Obligation	\$84,217	\$55,298	\$84,217	\$55,298
Compensated Absences	752,970	39,770	0	792,740
<i>Total General Long-Term Obligations</i>	<u>\$837,187</u>	<u>\$95,068</u>	<u>\$84,217</u>	<u>\$848,038</u>

Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

***Cuyahoga County Educational Service Center***  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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**Note 15 – Jointly Governed Organizations**

***A. Lakeshore Northeast Ohio Computer Association (LNOCA)***

LNOCA is a jointly governed organization among sixteen school districts and the Cuyahoga County Educational Service Center in Cuyahoga County. 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 among member districts. Each of the districts supports LNOCA based on a per pupil charge. The Service Center contributed \$10,000 to LNOCA during the fiscal year 2002 which was .59 percent of total revenues received by LNOCA.

The Governing Board consists of superintendents of each participating school districts and the educational service center. The degree of control exercised by any participant is limited to its representation of the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. To obtain a copy of LNOCA's financial statements, write to the Education Service Center at 5700 West Canal Road, Valley View, Ohio 44125.

***B. Cuyahoga Media Center (Media Center)***

The media center is a jointly governed organization among seventeen school districts and the Cuyahoga County Educational Service Center. The jointly governed organization was formed for the purpose of providing media services to the participants. Each of the districts supports the media center based on a per pupil charge. The media center is a jointly governed organization which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The Service Center did not make any contributions to the media center in the fiscal year 2002.

The Governing Board consists of a representative of each participating school district. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. To obtain a copy of the media center's financial statements, write to the Educational Service Center at 5700 West Canal Road, Valley View, Ohio 44125.

***C. Alliance for School Funding (Alliance)***

The Alliance is a jointly governed organization among fifty school districts including the Cuyahoga County Educational Service Center in Cuyahoga County. The jointly governed organization was formed to protect the concept of the existing system of school funding. Each participant pays an annual membership fee. The Service Center contributed \$2,700 to the Alliance during fiscal year 2002 which was 1.44 percent of total revenues received by the Alliance.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of thirteen members. Four members of the Governing Board are elected annually by the participants. The degree of control exercised by any participant is limited to its representation on the Governing Board. The Board exercises total control over the operation of the organization including budgeting, appropriating, contracting and designating management. To obtain a copy of the Alliance's financial statements, write to the Educational Service Center at 5700 West Canal Road, Valley View, Ohio 44125.

***Cuyahoga County Educational Service Center***  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 2002*

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***D. Cuyahoga County Early Intervention Collaborative (CCEIC)***

The CCEIC selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed to provide interagency planning, policy development and implementation of programs for infant and toddlers with developmental disabilities or risk factors, and their families in Cuyahoga County. The Service Center did not make any contributions to the CCEIC in fiscal year 2002.

CCEIC's eight member governing board is made up of a representative from all the participating school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. To obtain a copy of the CCEIC's financial statements, write to the Educational Service Center at 5700 West Canal Road, Valley View, Ohio 44125.

***E. Positive Education Program (PEP)***

The PEP is a non-profit organization which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The Service Center has not contributed to PEP in fiscal year 2002.

PEP's twelve member governing board consists of: three superintendents elected from the participating school districts, three attorneys, one representative of the business community, one representative of the education community, and four consumers. The degree of control is exercised by any participating school district is limited to its representation on the Board. To obtain a copy of the PEP's financial statements, write to the Positive Education Program at 3100 Euclid Avenue, Cleveland, Ohio 44115-2508.

***F. Cuyahoga County Special Education Regional Resource Center (SERRC)***

The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The Service Center has not contributed to the SERRC in fiscal year 2002.

SERRC is governed by a governing board of forty-seven members made up of all the superintendents of all the school districts in Cuyahoga County. The degree of control is exercised by any participating school district is limited to its representation on the Board. To obtain a copy of the SERRC's financial statements, write to the Educational Service Center at 5700 West Canal Road, Valley View, Ohio 44125.

**Note 16 - Insurance Purchasing Pool**

*Ohio School Boards Association Workers' Compensation Group Rating Program* - The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and 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 Educational Service Centers pay an enrollment fee to the GRP to cover the costs of administering the program.

***Cuyahoga County Educational Service Center***  
***Notes to the General Purpose Financial Statements***  
***For the Fiscal Year Ended June 30, 2002***

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**Notes 17 - Contingencies**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require 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 Educational Service Center at June 30, 2002.

**Note 18 – State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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

**Note 19 - Restatement of Net Assets**

The balance of the Investment Trust Fund has been restated at July 1, 2001, from \$2,529,430 to \$2,240,477, a decrease of \$288,953. In prior years, the balance sheet had recognized both receivables and payables and since the Investment Trust Fund has no recognition criteria it was determined that these balance sheet items should not have been recognized.

**CUYAHOGA COUNTY EDUCATIONAL SERVICE CENTER  
CUYAHOGA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Food Distribution Program		10.550		
National School Lunch Program	45195 04-PU-99	10.555	\$122,958	\$122,958
Special Milk Program		10.556		
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>			<u>122,958</u>	<u>122,958</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I- Grants in Local Educational Agency	C1-ST-01P C1-ST-02P C1-S1-01 C1-SD-02	84.010 84.010 84.010 84.010	47,880 184,574 16,161 44,332	57,995 219,545 6,345 49,558
Total Title I			<u>292,947</u>	<u>333,443</u>
Special Education Cluster:				
Special Education - Grants to States (IDEA Part B)	6B-SF-01P 6B-SF-02P 6B-ER-02P 6B-S1-01P 6B-S1-02P 6B-SX-01P 6B-SX-02P	84.027 84.027 84.027 84.027 84.027 84.027 84.027	123,651 62,819 15,000 176,484 1,260,214 26,890 145,280	175,914 0 21,926 487,186 1,482,248 8,384 151,051
Total Special Education			<u>1,810,338</u>	<u>2,326,709</u>
Special Education - Preschool Grant	PG-S1-01P PG-S1-02P PG-S6-02P PG-S7-01P PG-S7-02	84.173 84.173 84.173 84.173 84.173	0 13,557 13,000 0 11,250	7,674 5,417 13,000 5,113 5,898
Total Special (Preschool)			<u>37,807</u>	<u>37,102</u>
Total Special Education Cluster			<u>1,848,145</u>	<u>2,363,811</u>
Bilingual Education		84.003		
Innovative Educational Program Strategies		84.298		
Drug-Free Schools Grant		84.186		
Goals 2000 - State and Local Education System Improvement	G2-S3-01 G2-A2-00 G2-U1-01	84.276 84.276 84.276	30,502 0 33,000	0 12,730 28,137
Total Goals 2000			<u>0</u> <u>0</u> <u>63,502</u>	<u>0</u> <u>12,730</u> <u>40,867</u>
Comprehensive School Reform Technical Support	RF-S3-2001	84.332	8,320	0
Service Learning in Teaching	SV -A6-99	94.004	2,166	1,972
<b>U.S. DEPARTMENT OF HEALTH</b>				
<i>Passed through Ohio Department of Health:</i>				
Special Education Grants for Infants and Families With Disabilities	18-5-01-F-AN-392 18-5-01-F-AN-392	84.181 84.181	278,269 278,269	278,461 278,461
Total Special (Disabilities)			<u>278,269</u>	<u>278,461</u>
<b>Total U.S. Department of Education</b>			<u>2,493,349</u>	<u>3,018,554</u>
<b>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				
<i>Passed through The State Library of Ohio</i>				
State Library Program		45.310	0	18,693
<b>Total Institute of Museum and Library Services</b>			<u>0</u>	<u>18,693</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through the Ohio Department of MR/DD:</i>				
Title XIX - Medical Assistance Program (CAFS)		93.778	143,271	143,271
<b>Total Federal Assistance</b>			<u>2,759,578</u>	<u>3,303,476</u>

The accompanying notes to this schedule are an integral part of this schedule.

**CUYAHOGA COUNTY EDUCATIONAL SERVICE CENTER  
CUYAHOGA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**NOTE B - NATIONAL SCHOOL LUNCH PROGRAM**

Federal receipts from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

CFDA – Catalog of Federal Domestic Assistance



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Governing Board  
Cuyahoga County Educational Service Center  
Cuyahoga County  
5700 West Canal Road  
Valley View, Ohio 44125

We have audited the financial statements of the Cuyahoga County Educational Service Center, Cuyahoga County, Ohio, (the Center) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002, wherein we noted that the Service Center restated the Investment Trust Fund. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Center's 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 do 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 Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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 other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Center in a separate letter dated December 20, 2002.

This report is intended for the information and use of management, the Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 20, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building  
615 Superior Avenue, NW.  
Twelfth Floor  
Cleveland, Ohio 44113-1801  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Cuyahoga County Educational Service Center  
Cuyahoga County  
5700 West Canal Road  
Valley View, Ohio 44125

**Compliance**

We have audited the compliance of the Cuyahoga County Educational Service Center, Cuyahoga 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 are applicable to its major federal program for the year ended June 30, 2002. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Center's management. 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the Center in a separate letter dated December 20, 2002.

This report is intended for the information and use of management, the Governing Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

December 20, 2002

**CUYAHOGA COUNTY EDUCATIONAL SERVICE CENTER  
CUYAHOGA COUNTY**

**JUNE 30, 2002  
SCHEDULE OF FINDINGS**

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CUYAHOGA COUNTY EDUCATIONAL SERVICE CENTER**

**CUYAHOGA 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 18, 2003**