

**PORTAGE COUNTY EDUCATIONAL SERVICE CENTER
PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

TOM MOREHOUSE, TREASURER



Dave Yost • Auditor of State

Governing Board
Portage County Educational Service Center
326 E. Main Street
Ravenna, OH 44266

We have reviewed the *Independent Auditor's Report* of the Portage County Educational Service Center, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Portage County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 26, 2011

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PORTAGE COUNTY EDUCATIONAL SERVICE CENTER

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Portage County Educational Service Center
326 E. Main Street
Ravenna, OH 44266

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage County Educational Service Center, Portage County, Ohio as of and for the fiscal year ended June 30, 2009, which collectively comprise Portage County Educational Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Portage County Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. These standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage County Educational Service Center, as of June 30, 2009, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010 on our consideration of Portage County Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis on pages 3 - 9 is not a required part of the basic financial statements, but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report
Portage County Educational Service Center
Page 2

For the budgetary comparison information and notes on pages 36 - 39, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 10, 2010

Portage County Educational Service Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

The discussion and analysis of the Portage County Educational Service Center's (Educational Service Center) financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Educational Service Center's performance as a whole; readers should also review notes to the basic financial statements and the financial statements to enhance their understanding of Educational Service Center's financial performance.

Financial Highlights

Key financial highlights for June 30, 2009 are as follows:

- ❑ General Revenues accounted for \$1.3 million in revenue or 14.7% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$7.5 million, or 85.3% of total revenues of \$8.8 million.
- ❑ Total program expenses were \$8.8 million.
- ❑ In total, net assets increased \$55,245 from 2008.

Reporting Educational Service Center as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the Educational Service Center to provide programs and activities, the view of the Educational Service Center as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Educational Service Center's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the Educational Service Center as a whole, the *financial position* of the Educational Service Center has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

In the Statement of Net Assets and the Statement of Activities, the Educational Service Center activities are listed as Governmental:

- ❑ Governmental Activities - All of the Educational Service Center's programs and services are reported here, including instruction, support services, operation and maintenance of plant.

The government-wide financial statements begin on page 10.

Portage County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

Reporting the Educational Service Center's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Educational Service Center uses fund accounting to ensure compliance with finance-related legal requirements. The Educational Service Center uses many funds to account for financial transactions. However, these fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center has two major governmental funds, the general fund and the other grant special revenue fund.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the other grant special revenue fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The Educational Service Center adopts an annual appropriated budget for its general fund and the other grant special revenue fund. A budgetary comparison statement has been provided for the general fund and the other grant special revenue fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 12.

Fiduciary Funds - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Educational Service Center's own programs. The accounting for the fiduciary funds is much like that used to report proprietary funds.

The fiduciary fund financial statements begin on page 16.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17.

Supplementary Information – The Educational Service Center has presented budgetary comparison schedules for the general fund and the other grant special revenue fund as supplementary information on pages 36 through 39 of this report.

Portage County Educational Service Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009*

The Educational Service Center as a Whole

Recall that the Statement of Net Assets provides the perspective of the Educational Service Center as a whole.

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2009 as compared to fiscal year 2008:

**(Table 1)
Net Assets**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Assets		
Current and Other Assets	\$ 1,820,305	\$ 1,797,162
Capital Assets	<u>117,242</u>	<u>118,446</u>
Total Assets	1,937,547	1,915,608
Liabilities		
Long-Term Liabilities	98,494	110,951
Other Liabilities	<u>993,494</u>	<u>1,014,343</u>
Total Liabilities	1,091,988	1,125,294
Net Assets		
Invested in Capital Assets, Net of Debt	96,197	87,601
Restricted	64,179	46,095
Unrestricted (Deficit)	<u>685,183</u>	<u>656,618</u>
Total Net Assets	<u>\$ 845,559</u>	<u>\$ 790,314</u>

Total assets increased by \$21,939. The increase in current and other assets of \$23,143 was mainly due to an increase in cash. There was a decrease in services to other school districts from the previous year and charges for services decreased from the previous year. These services include but are not limited to Severe Behavioral Handicapped (SBH), Multiple Disabled (MD), Integrated Preschool, and Alternative School classes. The Educational Service Center also provides related services such as Physical Therapy, Occupational Therapy, Speech Therapy, Adapted Physical Education, and Psychological services. The Educational Service Center also employs personnel and places them in specific school districts at their request. While the number of students did grow in MD units, there was a significant drop in students in the SBH units. However, due to state regulations of range of student ages in the classroom, a low ratio of student-to-employee had to be maintained. No more than a 1-to-10 ratio is allowed in these units. Total liabilities decreased by \$33,306 which was mainly caused by a decrease to accounts payables.

Portage County Educational Service Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009*

Table 2 shows the changes in net assets for fiscal year 2009 as compared to fiscal year 2008.

**(Table 2)
Governmental Activities**

	Governmental Activities	
	2009	2008
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 7,398,875	\$ 7,999,509
Operating Grants	137,036	150,658
<i>General Revenue:</i>		
Grants and Entitlements, not restricted to specific programs	1,297,162	1,248,464
Investment Earnings and Miscellaneous	4,976	20,652
<i>Total Revenues</i>	8,838,049	9,419,283
Program Expenses		
Instruction	4,032,738	3,952,770
Support Services	4,645,691	5,297,305
Food Service Operations	93,752	9,411
Extracurricular Activities	9,373	16,999
Interest and fiscal charges	1,250	1,704
<i>Total Expenses</i>	8,782,804	9,278,189
Increase (Decrease) in Net Assets	55,245	141,093
Net Assets Beginning of Year	790,314	649,221
Net Assets End of Year	\$ 845,559	\$ 790,314

Charges for services decreased \$600,634 from 2008 due to a decrease in special education services provided to member districts. Operating grants decreased \$13,622 over 2008. Grants and entitlements not restricted to specific programs increased \$48,698 from 2008. Program expenses in governmental activities decreased \$495,385, which can be directly attributed to a reduction in services provided by the Educational Service Center.

Portage County Educational Service Center

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2009 compared to fiscal year 2008. That is, it identifies the cost of these services supported by charges for services and unrestricted grants and entitlements.

(Table 3)
Governmental Activities

	2009		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 4,032,738	\$ (216,348)	\$ 3,952,770	\$ (230,376)
Support Services:				
Pupil and Instructional Staff	3,463,791	(386,936)	4,184,941	(405,787)
Board of Governors, Administration, Fiscal and Business	1,096,018	(453,551)	1,038,553	(391,159)
Operation and Maintenance of				
Plant and Central	74,034	(73,835)	61,533	(61,449)
Pupil Transportation	11,848	(11,848)	12,278	(11,137)
Food Service Operations	93,752	(93,752)	9,411	(9,411)
Extracurricular Activities	9,373	(9,373)	16,999	(16,999)
Interest and Fiscal Charges	1,250	(1,250)	1,704	(1,704)
Total Expenses	<u>\$ 8,782,804</u>	<u>\$ (1,246,893)</u>	<u>\$ 9,278,189</u>	<u>\$ (1,128,022)</u>

Instruction and Student Support Services comprise 85% of governmental program expenses. Pupil transportation and the operation/maintenance of facilities accounts for less than 1% of governmental program expenses.

The Educational Service Center is primarily funded through two sources: 1) State Foundation and 2) services provided to other school districts. The State of Ohio provides the Educational Service Center money by three calculations. First the State funds the Educational Service Center \$37.00 per ADM student of each school in Portage County which has now been reduced as noted in the Current Issues section of this MD&A. By law, the State provides this money for each student of a local school district and each city or exempted village if a city or county contract exists with the Educational Service Center. The Educational Service Center has a city or county contract with each city and exempted village district in Portage County. The State will also give an additional \$6.50 per student of each district. Again, this is according to individual school ADM. The last part of the State Foundation is for Supervisory Personnel. The Educational Service Center receives salary, retirement, and unit support for each certified, non-special education supervisory personnel. Each educational service center is limited to the number of funded supervisors that they can have based on ADM in the county. The amount received is based on the State Teachers Minimum Salary Schedule. It is important to note that the \$6.50/student and supervisory money funded to the Educational Service Center is deducted from each local, city, or exempted village foundation. The Educational Service Center also receives special education unit funding for Gifted units and Preschool classroom units.

The Educational Service Center is also funded through services provided to other school districts. These services include but are not limited to Severe Behavioral Handicapped, Multiple Disabled, Integrated Preschool, Itinerant,

Portage County Educational Service Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009*

and Alternative School classes. We also provide related services such as Physical Therapy, Occupational Therapy, Speech, Adapted Physical Education, and Psychological services. These programs are tuition based and billed after the services are provided.

Financial Analysis of the Government's Funds

The focus of the Educational Service Center's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Educational Service Center's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Educational Service Center's net resources available for spending at the year-end.

Information about the Educational Service Center's major funds starts on page 12. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9.0 million and expenditures of \$8.8 million in fiscal year 2009. The net change in fund balance for fiscal year 2009 was most significant in the general fund, with an increase of \$128,332 in fiscal year 2009.

General Fund

The general fund is the main operating fund of the Educational Service Center. At the end of fiscal year 2009, the balance in the general fund was \$522,121, which was an increase of \$128,332 from fiscal year 2008 in which the fund balance in the general fund was \$393,789. This is due to decreased budgeted expenditures, based on less services provided to member Districts.

Other Grant Special Revenue Fund

In fiscal year 2009, the other grant special revenue fund was a major fund. The other grant special revenue fund is the Educational Service Center fund that accounts for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes. At the end of fiscal year 2009, the deficit fund balance in the other grant special revenue fund was \$221,301, which is an insignificant increase of \$39,166.

Capital Assets

At the end of fiscal year 2009, the Educational Service Center had \$117,242 invested in equipment.

Table 4 shows comparisons between fiscal years 2009 and 2008.

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

	Governmental Activities	
	2009	2008
Furniture and Equipment	\$ 117,242	\$ 118,446

The \$1,204 decrease in fiscal year 2009 in net capital assets was mainly attributable to current depreciation exceeding additional purchases. See Note 7 for more information regarding capital assets.

Portage County Educational Service Center

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009*

Debt

At year-end, the Educational Service Center had only capitalized leases as outstanding long-term debt-related obligations. The lease obligations outstanding at year end totaled \$21,045. The lease balance consisted of telephone equipment scheduled to mature during the fiscal year 2011. See Note 13 to the basic financial statements for detail on the Educational Service Center's long-term obligations.

Current Issues

The Educational Service Center is State and locally funded. By statute, the State is supposed to fund the Educational Service Center at \$37 per student. However, in March of 2008, the State reduced the funding to all Educational Service Centers by over 9%. This reduction held true for fiscal year 2009, and the amount per student that the Educational Service Center was funded by the State was \$33.63 per student. This gave the Educational Service Center a total of \$781,565 from the State for the per pupil calculation. Beginning in fiscal year 2010, the Governor's new budget reduces funding for Educational Service Centers by another 1% over the next two years. The result in these two reductions is a loss of almost \$83,000 of revenue each year for Portage Educational Service Center. The statute amount of \$37 per student had not changed in the previous eight years, and there is no anticipation for an increased amount in the future. It is uncertain what enrollment will be for future years. Electronic schools are becoming more popular as an alternative to traditional public education. As programs and course offerings are reduced, the Educational Service Center may lose more students through these alternative forms of education.

The State also awards Special Education Preschool and Gifted unit support. The Educational Service Center received a total of \$394,637 for these two programs in fiscal year 2009.

The Educational Service Center also receives funding directly from the school districts that they serve within Portage County. The Educational Service Center receives \$6.50 per student from each school district, which totaled \$153,610 in fiscal year 2009. There is also an amount deducted from each school district to support supervisory personnel at the Educational Service Center. This resulted in an amount received by the Educational Service Center of \$377,185.

State funding is crucial to this educational service center. A very important aspect of state revenue is not just the publicized increases to local, city and exempted villages, but how the increases are restricted and how much are unrestricted. When local valuation increases, state funding decreases more than local funding increases. Local valuation increases are limited to the effective millage and new construction. GAAP aid decreases if additional levies are passed. If funding is cut or restricted to local, city, and exempted village school districts, it limits the amount of business that these districts can request from the Educational Service Center.

Contacting Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Educational Service Center's finances and to show the Educational Service Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tom Morehouse, Treasurer of the Educational Service Center of Portage County, 326 East Main Street, Ravenna, Ohio 44266.

Portage County Educational Service Center

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 1,183,435
Receivables:	
Intergovernmental	633,750
Prepaid items	3,120
Depreciable capital assets (net)	<u>117,242</u>
<i>Total Assets</i>	<u>1,937,547</u>
Liabilities	
Accounts payable	26,580
Accrued wages and benefits	872,291
Vacation benefits payable	19,640
Intergovernmental payable	74,983
Long term liabilities:	
Due within one year	11,441
Due in more than one year	<u>87,053</u>
<i>Total Liabilities</i>	<u>1,091,988</u>
Net Assets	
Invested in capital assets, net of related debt	96,197
Restricted for:	
Capital projects	47
Other purposes	64,132
Unrestricted	<u>685,183</u>
<i>Total Net Assets</i>	<u><u>\$ 845,559</u></u>

See accompanying notes to the basic financial statements.

Portage County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 109,746	\$ 51,073	\$ 50,487	\$ (8,186)
Special	3,922,992	3,708,606	6,224	(208,162)
Support services:				
Pupils	1,120,882	985,341	18,385	(117,156)
Instructional staff	2,342,909	2,016,050	57,079	(269,780)
Board of governors	80,076	69,672	0	(10,404)
Administration	673,177	568,133	4,662	(100,382)
Fiscal	256,083	0	0	(256,083)
Business	86,682	0	0	(86,682)
Operation and maintenance of plant	73,829	0	0	(73,829)
Pupil transportation	11,848	0	0	(11,848)
Central	205	0	199	(6)
Food service operations	93,752	0	0	(93,752)
Extracurricular activities	9,373	0	0	(9,373)
Interest and fiscal charges	1,250	0	0	(1,250)
<i>Total Governmental Activities</i>	<u>\$ 8,782,804</u>	<u>\$ 7,398,875</u>	<u>\$ 137,036</u>	<u>(1,246,893)</u>
General Revenues				
Grants and entitlements not restricted to specific programs				1,297,162
Investment earnings				4,781
Miscellaneous				195
Total general revenues				<u>1,302,138</u>
Change in net assets				55,245
Net assets beginning of year				<u>790,314</u>
Net assets end of year				<u>\$ 845,559</u>

See accompanying notes to the basic financial statements.

Portage County Educational Service Center

Balance Sheet

Governmental Funds

June 30, 2009

	General	Other Grants Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in pooled cash and cash equivalents	\$ 1,009,275	\$ 102,822	\$ 71,338	\$ 1,183,435
Receivables:				
Interfund	4,000	0	0	4,000
Intergovernmental	615,022	14,400	4,328	633,750
Prepaid items	3,120	0	0	3,120
<i>Total Assets</i>	<u>\$ 1,631,417</u>	<u>\$ 117,222</u>	<u>\$ 75,666</u>	<u>\$ 1,824,305</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 19,293	\$ 2,954	\$ 4,333	\$ 26,580
Accrued wages and benefits	548,177	317,230	6,884	872,291
Interfund payable	0	0	4,000	4,000
Intergovernmental payable	58,097	15,439	1,447	74,983
Deferred revenue	483,729	2,900	0	486,629
<i>Total Liabilities</i>	<u>1,109,296</u>	<u>338,523</u>	<u>16,664</u>	<u>1,464,483</u>
Fund Balances				
Reserved for encumbrances	30,281	0	1,800	32,081
Unreserved:				
Undesignated (deficit), reported in:				
General fund	491,840	0	0	491,840
Special revenue funds	0	(221,301)	57,155	(164,146)
Capital projects fund	0	0	47	47
<i>Total Fund Balances</i>	<u>522,121</u>	<u>(221,301)</u>	<u>59,002</u>	<u>359,822</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,631,417</u>	<u>\$ 117,222</u>	<u>\$ 75,666</u>	<u>\$ 1,824,305</u>

See accompanying notes to the basic financial statements.

Portage County Educational Service Center
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2009*

Total Governmental Fund Balances	\$	359,822
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
 Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
		117,242
 Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.		
Contract Services	\$ 4,535	
Tuition	482,094	486,629
 Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated Absences	77,449	
Capital Lease Payable	21,045	
Vacation Benefits Payable	19,640	(118,134)
Net Assets of Governmental Activities	\$	845,559

See accompanying notes to the basic financial statements.

Portage County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Other Grants Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental	\$ 1,177,423	\$ 0	\$ 271,191	\$ 1,448,614
Investment income	4,744	0	37	4,781
Tuition and fees	4,867,999	0	0	4,867,999
Gifts and donations	971	0	0	971
Contract services revenue	206,405	2,459,808	0	2,666,213
Miscellaneous	0	0	195	195
<i>Total Revenues</i>	<u>6,257,542</u>	<u>2,459,808</u>	<u>271,423</u>	<u>8,988,773</u>
Expenditures				
Current:				
Instruction:				
Regular	59,566	0	50,482	110,048
Special	2,010,752	1,926,434	7,105	3,944,291
Support services:				
Pupils	903,905	196,941	21,351	1,122,197
Instructional staff	1,966,341	297,267	71,533	2,335,141
Board of governors	80,076	0	0	80,076
Administration	651,240	0	4,815	656,055
Fiscal	256,274	0	0	256,274
Business	86,709	0	0	86,709
Operation and maintenance of plant	73,810	0	0	73,810
Pupil transportation	11,848	0	0	11,848
Central	5	0	200	205
Food service operations	8,316	0	85,436	93,752
Extracurricular activities	9,318	0	0	9,318
Debt service:				
Principal retirement	9,800	0	0	9,800
Interest and fiscal charges	1,250	0	0	1,250
<i>Total Expenditures</i>	<u>6,129,210</u>	<u>2,420,642</u>	<u>240,922</u>	<u>8,790,774</u>
<i>Net Change in Fund Balance</i>	128,332	39,166	30,501	197,999
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>393,789</u>	<u>(260,467)</u>	<u>28,501</u>	<u>161,823</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 522,121</u>	<u>\$ (221,301)</u>	<u>\$ 59,002</u>	<u>\$ 359,822</u>

See accompanying notes to the basic financial statements.

Portage County Educational Service Center
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$	197,999
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 25,932	
Current Year Depreciation	<u>(26,962)</u>	(1,030)
 Net effect of transactions involving sale of capital assets are not reflected in the funds.		
		(174)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Contract Services	4,535	
Grants	(15,387)	
Tuition	<u>(139,872)</u>	(150,724)
 Repayment for capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Capital Leases		9,800
 Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	2,657	
Vacation Benefits Payable	<u>(3,283)</u>	<u>(626)</u>
 Change in Net Assets of Governmental Activities		
	\$	<u>55,245</u>

See accompanying notes to the basic financial statements.

Portage County Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 11,056,614
Intergovernmental receivable	<u>228,765</u>
<i>Total Assets</i>	<u><u>\$ 11,285,379</u></u>
Liabilities	
Undistributed monies	\$ 9,512,939
Accounts payable	33
Claims payable	<u>1,772,407</u>
<i>Total Liabilities</i>	<u><u>\$ 11,285,379</u></u>

See accompanying notes to the basic financial statements.

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 1 – Description of the Educational Service Center

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

The Educational Service Center makes up the Portage County Local School System. The Education Service Center is an administrative entity which operates under an elected Board of Governors (five members) as defined by Section 3311.05 of the Ohio Revised Code. The Board employs 106 certified and 68 noncertified employees.

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 Educational Service Center of Portage County, this includes the agencies and departments that provide the following services: general operations and related special education, supervisory, administrative and fiscal 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 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 participates in one jointly governed organization, the Stark Portage Area Computer Consortium (SPARCC), which is presented in Note 14 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the 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 to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The Educational Service Center also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements.

The following are the most significant of the Educational Service Center's accounting policies.

Portage County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

A. Basis of Presentation

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

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

The statement of net assets presents the financial condition of the governmental activities of the Educational Service Center at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

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

B. Fund Accounting

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

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

General Fund The general fund accounts 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.

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Other Grant Special Revenue Fund The other grant special revenue fund accounts for the proceeds of specific revenue sources, except for state and federal grants that are legally restricted to expenditures for specified purposes.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary funds are used to account for ongoing activities which are similar to those often found in the private sector. The Educational Service Center has no proprietary funds.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Educational Service Center are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total assets.

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

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

D. Basis of Accounting

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

Portage County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

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

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations.

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.

E. Cash and Cash Equivalents

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

During the fiscal year 2009, investments were limited to STAROhio, (the State Treasurer's Investment Pool) and repurchase agreements.

Portage County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

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 STAR Ohio's share price which is the price the investment could be sold for on June 30, 2009. Repurchase agreements are reported at cost.

Following Ohio statutes, the Board has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$4,744, which includes \$679 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with a 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 original maturity of more than three months that are not made from the pool are reported as investments.

F. Prepaids

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Furniture and Equipment	5-20 Years

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

H. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable." These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

The Educational Service Center reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the Educational Service Center's past experience of making termination payments.

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

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

J. Accrued Liabilities and Long-term Obligations

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

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

K. Net Assets

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

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

L. Fund Balance Reserves

The Educational Service Center reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances.

M. Interfund Activity

Transfers between governmental activities on the government-wide statements are eliminated.

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

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Governors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

O. Estimates

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

P. Budgetary Data

Although not legally required, the Educational Service Center adopts its budget for all funds, other than agency funds. The budget includes estimated resources and expenditures for each fund and consists of three parts; Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Educational Service Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Educational Service Center requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Educational Service Center was discretionary, the Educational Service Center continued to have its Board approve appropriations and estimated resources. The Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the

Portage County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds. Although the level of budgetary control was established at the fund level of expenditures, the Educational Service Center has elected to present the budgetary statement comparisons at the fund and function level. Budgetary information for the general fund and the other grant special revenue fund has been presented as supplementary information to the basic financial statements.

At the close of each 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 need not be reappropriated.

Q. Implementation of New Accounting Policies

For the year ended June 30, 2009, the Educational Service Center has implemented GASB Statement No. 52, *“Land and Other Real Estate Held as Investments by Endowments”*, GASB Statement No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, and GASB Statement No. 56, *“Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the Educational Service Center.

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 3 – Fund Deficits

Fund balances at June 30, 2009 included the following individual fund deficits:

	2009 Deficit
	Fund Balance
<i>Major Governmental Funds:</i>	\$ 221,301
Other Grants	
 <i>Nonmajor Governmental Funds:</i>	
Alternative Schools	6,969
Management Information Systems	15
IDEA Preschool Grant	794

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

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 deposits are public deposits that the Board of Governors 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 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.

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 the repayment of all uninsured public monies deposited with the institution.

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

Portage County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Cash on Hand At fiscal year end 2009, 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 fiscal year-end 2009, the carrying amount of the Educational Service Center's deposits was \$8,030,520 and the bank balance was \$8,512,712. Of the bank balance:

1. \$500,000 of the bank balance was covered by depository insurance for fiscal year 2009; and
2. \$8,012,712 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

Investments

Investments are reported at fair value. As of June 30, 2009, the Educational Service Center had the following investments:

	2009	
Fair Value	Investment Maturities (in months) 0-6	
Chase Repurchase Agreement	\$ 1,073,703	\$ 1,073,703
STAROhio	3,135,726	3,135,726
Totals	\$ 4,209,429	\$ 4,209,429

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The Educational Service Center's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the Educational Service Center.

Credit Risk: The Educational Service Center's investments at June 30, 2009 included sweep accounts, and STAROhio. STAROhio is rated AAA by Standard & Poor's. The sweep accounts (repurchase agreements) are not rated by Standard & Poor's or Moody's Investments Services. The federal agency securities that underlie the repurchase agreement were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Concentration of Credit Risk: The Educational Service Center places no limit on the amount the Educational Service Center may invest in any one issuer. More than 5 percent of the Educational Service Center's investments are in STAROhio. This investment is 74.5 percent for fiscal year 2009 of the Educational Service

Portage County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

Center's total investments for the amounts listed above. More than 5 percent of the Educational Service Center's investments are in the repurchase agreements. This investment is 25.5 percent for fiscal year 2009.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Educational Service Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Educational Service Center's \$1,073,703 investment in repurchase agreements is to be secured by the specific government securities upon which the repurchase agreements are based. These securities, held by the counterparty and not in the Educational Service Center's name, must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. The Educational Service Center's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

Note 5 - Interfund Balances

For fiscal year 2009, on the fund financial statements, the general fund reported an interfund receivable of \$4,000. This receivable is made up of the following: the miscellaneous state grants fund had an interfund payable of \$4,000.

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2009 all interfund loans outstanding will be repaid in fiscal year 2010.

Note 6 – Receivables

Receivables at June 30, 2009 consisted of intergovernmental entitlements and grants, and interfund. All receivables are considered collectible in full due to the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	2009 Amount
<i>Major Governmental Funds</i>	
General Fund	\$ 615,022
Other Grants Special Revenue	14,400
<i>Nonmajor Governmental Funds</i>	
Food Service	4,328
<i>Agency Fund</i>	
Employee Benefits	228,765
<i>Total Intergovernmental Receivables</i>	<u>\$ 862,515</u>

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Governmental Activities				
<i>Capital Assets, being depreciated:</i>				
Furniture and Equipment	\$ 495,264	\$ 25,932	\$ (15,185)	\$ 506,011
Less Accumulated Depreciation	(376,818)	(26,962)	15,011	(388,769)
Governmental Activities Capital Assets, Net	\$ 118,446	\$ (1,030)	\$ (174)	\$ 117,242

Depreciation expense was charged to governmental functions as follows for fiscal year 2009:

	2009
Instruction:	
Regular	\$ 565
Special	5,395
Support Services:	
Pupil	397
Instructional Staff	4,608
Administration	15,392
Fiscal	605
Total Depreciation	\$ 26,962

Note 8 – Risk Management

The Educational Service 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. There have been no settlements paid in excess of insurance in the past three years.

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

Portage County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

retained by the consortium to facilitate the operation of the Health and Welfare Trust. The Educational Service Center pays all insurance premiums directly to the consortium. Also, the insurance agreement with Portage County School Consortium provides that the consortium will reinsure through commercial companies for claims over \$150,000 per employee. Although the Educational Service 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 Educational Service 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, 1997, the Educational Service Center of Portage County is the fiscal agent of the Consortium.

Note 9 – Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements, Board policies, and State laws. Certified and classified employees that work 260 days per year 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 (those not working 260 days) do not earn vacation time. All employees of the Educational Service Center earn sick leave at the rate of one and one-fourth days per month. Upon retirement, 25 percent of the accumulation of unused sick leave days up to 120 days will be awarded to an employee. The employee will also be awarded 10 percent 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.

Note 10- Defined Benefit Pension Plans

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The

Portage County Educational Service Center

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009*

contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$127,702, \$168,288 and \$161,575 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System

Plan Description - The Educational Service Center participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$640,999, \$602,941 and \$568,693, respectively; 100 percent has been

Portage County Educational Service Center

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2009

contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$11,522 made by the Educational Service Center and \$15,078 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2% of wages paid.

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The Educational Service Center participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$58,442, \$76,795 and \$53,643 respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Educational Service Center's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$10,536, \$12,126 and \$10,987, respectively.

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$49,308, \$46,380 and \$43,746, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

Note 12 – Contingencies

A. Grants

The Educational Service 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 are 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, 2009.

B. Litigation

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

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 13 – Long Term Obligations

The changes in the Educational Service Center’s long-term obligations during the year consist of the following:

	<i>2009</i>				
	Outstanding June 30, 2008	Additions	Deductions	Outstanding June 30, 2009	Due Within One Year
Governmental Activities:					
Capital Lease	\$ 30,845	\$ 0	\$ 9,800	\$ 21,045	\$ 10,274
Compensated Absences	80,106	13,671	16,328	77,449	1,167
Total Governmental Activities					
Long-Term Liabilities	\$ 110,951	\$ 13,671	\$ 26,128	\$ 98,494	\$ 11,441

Compensated Absences will be paid from the fund in which the employee’s wages are paid. In prior years, this has primarily been the general fund. Capital leases will be paid from the general fund.

Note 14 – 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 Educational 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 Stark County Education Service Center, which serves as fiscal agent, located at 2100 38th Street, NW, Canton, Ohio 44709.

Portage County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Note 15 – Capitalized Leases

Capital lease obligations relate to telephone equipment which is leased under long-term agreements. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standard No. 13 “Accounting for Leases”. \$49,106 of furniture and equipment has been recorded as capital assets relating to capital leases with \$14,732 of accumulated depreciation as of June 30, 2009. Capital lease payments in the general fund have been reclassified and are reflected as debt service in the basic financial statements for the general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The following schedule of future minimum lease payments required under the capital leases and the present value of minimum lease payments as of June 30, 2009 is summarized below.

Fiscal Year Ending June 30,	Capital Lease		
	Principal	Interest	Total
2010	\$ 10,274	\$ 776	\$ 11,050
2011	10,771	279	11,050
Total	\$ 21,045	\$ 1,055	\$ 22,100

Note 16 – Operating Leases

The Educational Service Center (the “Lessee”) has entered into an operating lease, for a five year period commencing on July 1, 2006. The lease is with David D. Y. Lan and Lily S. C. Lan (the “Lessor”) for facilities to house the offices and functions of the Educational Service Center. Current year lease payments were \$56,400. Rental cost should be recognized on the straight-line basis over the term of the lease because no economic justification can be offered for the rental increases. Should the Lessee need to terminate the lease early due to a reduction or termination of funding, it shall notify the Lessor of its decision to terminate the lease early, in writing, ninety days in advance of the new termination date.

Supplementary Information

Portage County Educational Service Center
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 1,167,383	\$ 1,195,000	\$ 1,177,423	\$ (17,577)
Investment income	20,000	15,000	4,744	(10,256)
Tuition and fees	6,300,000	6,173,000	4,849,684	(1,323,316)
Charges for services	0	0	971	971
Contract service revenue	217,987	306,982	314,290	7,308
<i>Total Revenues</i>	<u>7,705,370</u>	<u>7,689,982</u>	<u>6,347,112</u>	<u>(1,342,870)</u>
Expenditures				
Current:				
Instruction				
Regular	250,000	67,382	67,382	0
Special	2,837,000	2,012,569	2,012,569	0
Other	30,000	0	0	0
Support services:				
Pupils	1,610,000	926,684	926,684	0
Instructional staff	2,306,000	1,981,754	1,981,754	0
Board of governors	110,500	93,528	93,528	0
Administration	891,000	672,471	672,471	0
Fiscal	223,500	242,712	242,712	0
Business	97,000	87,290	87,290	0
Operation and maintenance of plant	72,000	73,701	73,701	0
Pupil transportation	20,000	12,109	12,109	0
Central	2,000	5	5	0
Food service operations	12,000	7,065	7,065	0
Extracurricular Activities	19,000	9,629	9,629	0
<i>Total Expenditures</i>	<u>8,480,000</u>	<u>6,186,899</u>	<u>6,186,899</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	(774,630)	1,503,083	160,213	(1,342,870)
Other Financing Sources (Uses)				
Refund of prior year expenditures	0	0	675	675
Advances in	0	15,387	15,387	0
Advances out	(20,000)	(4,000)	(4,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>11,387</u>	<u>12,062</u>	<u>675</u>
<i>Net Change in Fund Balance</i>	(794,630)	1,514,470	172,275	(1,342,195)
<i>Fund Balance (Deficit) at Beginning of Year</i>	751,184	751,184	751,184	0
Prior Year Encumbrances Appropriated	43,446	43,446	43,446	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 0</u>	<u>\$ 2,309,100</u>	<u>\$ 966,905</u>	<u>\$ (1,342,195)</u>

Portage County Educational Service Center
*Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 Other Grant Special Revenue Fund
 For the Fiscal Year Ended June 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contract services revenue	\$ 2,909,930	\$ 2,909,930	\$ 2,448,308	\$ (461,622)
<i>Total Revenues</i>	<u>2,909,930</u>	<u>2,909,930</u>	<u>2,448,308</u>	<u>(461,622)</u>
Expenditures				
Current:				
Instruction				
Special	2,310,000	1,886,538	1,886,538	0
Support services:				
Pupils	330,000	256,332	256,332	0
Instructional staff	360,000	292,686	292,686	0
<i>Total Expenditures</i>	<u>3,000,000</u>	<u>2,435,556</u>	<u>2,435,556</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(90,070)	474,374	12,752	(461,622)
<i>Fund Balance (Deficit) at Beginning of Year</i>	<u>90,070</u>	<u>90,070</u>	<u>90,070</u>	<u>0</u>
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 0</u>	<u>\$ 564,444</u>	<u>\$ 102,822</u>	<u>\$ (461,622)</u>

Portage County Educational Service Center

Notes to the Supplemental Information

For Fiscal Year Ended June 30, 2009

Note 1 - Budgetary Process

The Educational Service Center is not required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center's Board does follow the budgetary process for control purposes.

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

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

Note 2 - 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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund and other grant fund 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:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis schedule on a fund type basis for the general fund.

Portage County Educational Service Center

Notes to the Supplemental Information

For Fiscal Year Ended June 30, 2009

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ 128,332
Net Adjustment for Revenue Accruals	90,245
Advance In	15,387
Advance Out	(4,000)
Net Adjustment for Expenditure Accruals	(15,325)
Adjustment for Encumbrances	<u>(42,364)</u>
Budget Basis	<u>\$ 172,275</u>

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis schedule on a fund type basis for the other grant fund.

Net Change in Fund Balance

	<u>Other Grants Fund</u>
GAAP Basis	\$ 39,166
Net Adjustment for Revenue Accruals	(11,500)
Net Adjustment for Expenditure Accruals	<u>(14,914)</u>
Budget Basis	<u>\$ 12,752</u>



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Governing Board
Portage County Educational Service Center
326 E. Main Street
Ravenna, OH 44266

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Portage County Educational Service Center, Portage County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Portage County Educational Service Center's basic financial statements and have issued our report thereon dated December 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Portage County Educational Service Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of Portage County Educational Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Portage County Educational Service Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Portage County Educational Service Center's financial statements will not be prevented, or detected and timely corrected.

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

Governing Board
Portage County Educational Service Center

Compliance and Other Matters

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

We intend this report solely for the information and use of the management and Governing Board of the Portage County Educational Service Center and others within Portage County Educational Service Center. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
December 10, 2010

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Dave Yost • Auditor of State

PORTAGE COUNTY EDUCATIONAL SERVICE CENTER

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 8, 2011