



**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002



**Auditor of State
Betty Montgomery**

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Stark County Educational Service Center
Stark County
2100 38th Street NW
Canton, Ohio 44709

To the Members of the Governing Board:

We have audited the accompanying general purpose financial statements of the Stark County Educational Service Center, Stark County, Ohio, (the Service Center) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Service Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position and Investment Trust Fund net assets of the Stark County Educational Service Center as of June 30, 2002, the changes in its Investment Trust Fund net assets and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2003, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 30, 2003

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STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Internal Service
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and investments	\$ 835,660	\$ 882,836	\$ 297,547	\$ 8,169
Equity in individual investment account	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Accrued interest	137,045	-	-	-
Interfund loans	160,445	-	-	-
Due from other governments	1,133,415	355,429	-	-
Materials and supplies inventory	8,201	-	-	-
Prepayments	2,604	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable).	-	-	-	-
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	<u>\$ 2,277,370</u>	<u>\$ 1,238,265</u>	<u>\$ 297,547</u>	<u>\$ 8,169</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 104,217	\$ 709,878	\$ 39,218	\$ 9,055
Accrued wages and benefits.	1,058,284	12,207	-	-
Compensated absences payable.	20,916	1,413	-	-
Pension obligation payable	110,485	1,709	-	-
Interfund loan payable	-	30,345	-	28,000
Deferred revenue	652,742	285,429	-	-
Due to students	-	-	-	-
Due to other governments.	46,895	2,871	-	-
Total liabilities.	<u>1,993,539</u>	<u>1,043,852</u>	<u>39,218</u>	<u>37,055</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Amount available for individual investment account participants	-	-	-	-
Retained earnings (accumulated deficit): unreserved.	-	-	-	(28,886)
Fund balances:				
Reserved for encumbrances	199,363	204,436	63,880	-
Reserved for materials and supplies inventory.	8,201	-	-	-
Reserved for prepayments	2,604	-	-	-
Unreserved-undesignated	73,663	(10,023)	194,449	-
Total equity and other credits	<u>283,831</u>	<u>194,413</u>	<u>258,329</u>	<u>(28,886)</u>
Total liabilities, equity and other credits.	<u>\$ 2,277,370</u>	<u>\$ 1,238,265</u>	<u>\$ 297,547</u>	<u>\$ 8,169</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$ 3,612,180	\$ -	\$ -	\$ 5,636,392
13,272,943	-	-	13,272,943
142,648	-	-	279,693
-	-	-	160,445
-	-	-	1,488,844
-	-	-	8,201
-	-	-	2,604
-	3,545,458	-	3,545,458
-	-	471,195	471,195
<u>\$ 17,027,771</u>	<u>\$ 3,545,458</u>	<u>\$ 471,195</u>	<u>\$ 24,865,775</u>
\$ -	\$ -	\$ -	\$ 862,368
-	-	-	1,070,491
-	-	461,952	484,281
-	-	9,243	121,437
102,100	-	-	160,445
-	-	-	938,171
10,278	-	-	10,278
<u>3,499,802</u>	<u>-</u>	<u>-</u>	<u>3,549,568</u>
<u>3,612,180</u>	<u>-</u>	<u>471,195</u>	<u>7,197,039</u>
-	3,545,458	-	3,545,458
13,415,591	-	-	13,415,591
-	-	-	(28,886)
-	-	-	467,679
-	-	-	8,201
-	-	-	2,604
-	-	-	258,089
<u>13,415,591</u>	<u>3,545,458</u>	<u>-</u>	<u>17,668,736</u>
<u>\$ 17,027,771</u>	<u>\$ 3,545,458</u>	<u>\$ 471,195</u>	<u>\$ 24,865,775</u>

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STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
From local sources:				
Tuition	\$ 4,065,014	\$ -	\$ -	\$ 4,065,014
Earnings on investments	202,934	-	-	202,934
Other local revenues	418,691	76,161	-	494,852
Services provided to other entities	4,630,699	-	-	4,630,699
Charges for self-insurance	124,872	-	-	124,872
Contributions from private sources	8,752	-	-	8,752
Other revenue	154,000	-	-	154,000
Intergovernmental - State	3,443,497	2,516,338	259,297	6,219,132
Intergovernmental - Federal	179,912	888,744	-	1,068,656
Total revenue	<u>13,228,371</u>	<u>3,481,243</u>	<u>259,297</u>	<u>16,968,911</u>
Expenditures:				
Current:				
Instruction:				
Regular	-	81,269	-	81,269
Special	3,915,954	361,768	-	4,277,722
Support services:				
Pupil	513,901	44,137	-	558,038
Instructional staff	5,012,944	2,455,181	814,317	8,282,442
Board of Education	34,413	-	-	34,413
Administration	2,542,666	118,567	-	2,661,233
Fiscal	237,865	250	-	238,115
Business	663,785	-	-	663,785
Operations and maintenance	91,781	-	-	91,781
Pupil transportation	7,003	196	-	7,199
Central	194,636	191,691	-	386,327
Total expenditures	<u>13,214,948</u>	<u>3,253,059</u>	<u>814,317</u>	<u>17,282,324</u>
Excess (deficiency) of revenues over (under) expenditures	13,423	228,184	(555,020)	(313,413)
Fund balances (deficit), July 1	269,850	(33,771)	813,349	1,049,428
Increase in reserve for inventory	558	-	-	558
Fund balances, June 30	<u>\$ 283,831</u>	<u>\$ 194,413</u>	<u>\$ 258,329</u>	<u>\$ 736,573</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Tuition	\$ 3,704,900	\$ 3,871,920	\$ 167,020	\$ -	\$ -	\$ -
Earnings on investments.	320,000	160,741	(159,259)	-	-	-
Other local revenues	396,475	384,180	(12,295)	102,901	75,810	(27,091)
Services provided to other entities	5,028,463	5,019,452	(9,011)	-	-	-
Charges for self-insurance	125,762	124,872	(890)	-	-	-
Contributions from private sources	9,000	8,752	(248)	-	-	-
Other revenue	79,000	154,000	75,000	-	-	-
Intergovernmental - State	3,713,500	3,443,497	(270,003)	2,591,760	2,590,559	(1,201)
Intergovernmental - Federal.	39,000	150,160	111,160	1,294,983	825,744	(469,239)
Total revenues.	<u>13,416,100</u>	<u>13,317,574</u>	<u>(98,526)</u>	<u>3,989,644</u>	<u>3,492,113</u>	<u>(497,531)</u>
Expenditures:						
Current:						
Instruction:						
Regular.	-	-	-	81,270	81,270	-
Special.	3,841,918	3,841,672	246	396,020	395,683	337
Support services:						
Pupil.	533,215	533,207	8	51,727	51,727	-
Instructional staff.	5,395,829	5,404,080	(8,251)	3,396,230	2,584,968	811,262
Board of Education	36,698	35,089	1,609	-	-	-
Administration	3,158,778	2,874,528	284,250	167,014	129,295	37,719
Fiscal.	271,584	269,753	1,831	6,250	6,250	-
Business	729,845	717,959	11,886	-	-	-
Operations and maintenance	102,030	100,596	1,434	-	-	-
Pupil transportation	7,003	7,003	-	196	196	-
Central.	200,476	200,476	-	227,501	204,925	22,576
Total expenditures	<u>14,277,376</u>	<u>13,984,363</u>	<u>293,013</u>	<u>4,326,208</u>	<u>3,454,314</u>	<u>871,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(861,276)</u>	<u>(666,789)</u>	<u>194,487</u>	<u>(336,564)</u>	<u>37,799</u>	<u>374,363</u>
Other financing sources (uses):						
Advances in	-	773,048	773,048	-	452,400	452,400
Advances out.	-	(831,500)	(831,500)	-	(480,049)	(480,049)
Refund of prior year's receipts.	(349,755)	(349,755)	-	-	-	-
Refund of prior year expenditure	19,000	17,730	(1,270)	-	-	-
Total other financing sources (uses)	<u>(330,755)</u>	<u>(390,477)</u>	<u>(59,722)</u>	<u>-</u>	<u>(27,649)</u>	<u>(27,649)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).	<u>(1,192,031)</u>	<u>(1,057,266)</u>	<u>134,765</u>	<u>(336,564)</u>	<u>10,150</u>	<u>346,714</u>
Fund balances (deficit), July 1.	1,228,182	1,228,182	-	(146,416)	(146,416)	-
Prior year encumbrances appropriated	344,954	344,954	-	535,491	535,491	-
Fund balances, June 30	<u>\$ 381,105</u>	<u>\$ 515,870</u>	<u>\$ 134,765</u>	<u>\$ 52,511</u>	<u>\$ 399,225</u>	<u>\$ 346,714</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 3,704,900	\$ 3,871,920	\$ 167,020
-	-	-	320,000	160,741	(159,259)
-	-	-	499,376	459,990	(39,386)
-	-	-	5,028,463	5,019,452	(9,011)
-	-	-	125,762	124,872	(890)
-	-	-	9,000	8,752	(248)
-	-	-	79,000	154,000	75,000
256,000	259,297	3,297	6,561,260	6,293,353	(267,907)
-	-	-	1,333,983	975,904	(358,079)
<u>256,000</u>	<u>259,297</u>	<u>3,297</u>	<u>17,661,744</u>	<u>17,068,984</u>	<u>(592,760)</u>
-	-	-	81,270	81,270	-
-	-	-	4,237,938	4,237,355	583
-	-	-	584,942	584,934	8
1,148,514	957,362	191,152	9,940,573	8,946,410	994,163
-	-	-	36,698	35,089	1,609
-	-	-	3,325,792	3,003,823	321,969
-	-	-	277,834	276,003	1,831
-	-	-	729,845	717,959	11,886
-	-	-	102,030	100,596	1,434
-	-	-	7,199	7,199	-
-	-	-	427,977	405,401	22,576
<u>1,148,514</u>	<u>957,362</u>	<u>191,152</u>	<u>19,752,098</u>	<u>18,396,039</u>	<u>1,356,059</u>
<u>(892,514)</u>	<u>(698,065)</u>	<u>194,449</u>	<u>(2,090,354)</u>	<u>(1,327,055)</u>	<u>763,299</u>
-	-	-	-	1,225,448	1,225,448
-	-	-	-	(1,311,549)	(1,311,549)
-	-	-	(349,755)	(349,755)	-
-	-	-	19,000	17,730	(1,270)
-	-	-	<u>(330,755)</u>	<u>(418,126)</u>	<u>(87,371)</u>
(892,514)	(698,065)	194,449	(2,421,109)	(1,745,181)	675,928
139,452	139,452	-	1,221,218	1,221,218	-
753,062	753,062	-	1,633,507	1,633,507	-
<u>\$ -</u>	<u>\$ 194,449</u>	<u>\$ 194,449</u>	<u>\$ 433,616</u>	<u>\$ 1,109,544</u>	<u>\$ 675,928</u>

STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>
	<u>Internal Service</u>
Operating revenues:	
Sales/charges for services	\$ 295,616
Other	23,621
Total operating revenues	319,237
Operating expenses:	
Purchased services	113,258
Materials and supplies	117,862
Other	98,995
Total operating expenses	330,115
Operating loss.	(10,878)
Retained earnings (accumulated deficit), July 1. .	(18,008)
Retained earnings (accumulated deficit), June 30.	\$ (28,886)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Internal Service
Cash flows from operating activities:	
Cash received from sales/service charges	\$ 295,616
Cash received from other	23,621
Cash payments for contract services	(112,900)
Cash payments for materials and supplies.	(125,322)
Cash payments for other expenses	(90,298)
Net cash used in operating activities.	(9,283)
Cash flows from noncapital financing activities:	
Cash received from interfund loans.	189,000
Cash payments used in repayment of interfund loans	(173,000)
Net cash provided by noncapital financing activities	16,000
Net increase in cash and cash equivalents.	6,717
Cash and cash equivalents at beginning of year	1,452
Cash and cash equivalents at end of year.	\$ 8,169
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (10,878)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts payable.	1,595
Net cash used in operating activities	\$ (9,283)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
 STATEMENT OF NET ASSETS
 INVESTMENT TRUST FUND
 JUNE 30, 2002

	<u>Fiduciary</u> <u>Fund Type</u>
	<u>Investment</u> <u>Trust</u>
Assets:	
Cash, cash equivalents and investments	\$ 13,272,943
Accrued interest receivable	<u>142,648</u>
Total assets	<u>\$ 13,415,591</u>
Net assets available to participants.	<u>\$ 13,415,591</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO
STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Fiduciary Fund Type
	Investment Trust
Operations:	
Net investment income	\$ 713,572
Net increase in net assets due to operating activity.	632,322
Increase from operating transactions	1,345,894
Capital Transactions:	
Proceeds of investments sold	10,989,984
Purchase of investments	(12,494,888)
Change in fair market value of investments at June 30, 2002	103,501
Decrease from capital transactions	(1,401,403)
Total decrease in net assets.	(55,509)
Net assets, July 1.	13,471,100
Net assets, June 30.	\$ 13,415,591

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Stark County Educational Service Center (the "ESC") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio. The Educational Service Center is a County Board of Education as defined by Section 3313.01 of the Ohio Revised Code. The Educational Service Center supplies supervisory, administrative and other needed services to participating school districts.

The Governing Board consists of 5 members elected by the voters of the County. This Board acts as the authorizing body for expenditures, policy and procedures, and approves all financial activities. The ESC is staffed by 184 non-certificated employees and 126 certificated employees to provide services to students throughout the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

The ESC's reporting entity has been defined in accordance with Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity". The financial statements include all funds, account groups, agencies, boards, commissions, and component units for which the ESC is "accountable." Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the ESC and whether exclusion would cause the ESC's financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependence and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the ESC. Based upon the application of these, the ESC has no component units. The following organizations are described due to their relationship with the ESC.

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium ("SPARCC") - SPARCC is a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

Stark County Schools Council of Government ("Council") - The Council is governed by an Assembly which consists of one representative from each participating school district (usually the superintendent or designee). The Assembly elects officers for one year terms to serve as the Board of Directors. The Assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. As of June 30, 2002, the Council had a Health Benefits Program, which is a shared risk pool comprised of 39 members. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

In the case of SPARCC and the Council, the ESC serves as fiscal agent and custodian but is not accountable; therefore the operations of SPARCC and the Council have been excluded from the ESC's financial statements but the funds held on behalf of SPARCC are included as an agency fund and the funds held on behalf of the Council are included as an investment trust fund.

B. Fund Accounting

The ESC uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain service center activities or functions. Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the ESC are financed. The acquisition, use and balances of the ESC's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the ESC's governmental fund types:

General Fund - The general fund is the general operating fund of the ESC and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the ESC's ongoing activities, which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the ESC's proprietary fund type:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the ESC, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the ESC in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an investment trust fund and agency funds. The investment trust fund is accounted for in the same manner as proprietary funds. A separate Statement of Net Assets and Statement of Changes in Net Assets is presented in the financial statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the ESC.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the ESC.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

C. Measurement Focus/Basis of Accounting

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

The proprietary fund and the investment trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of this fund are included on the combined balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the ESC is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants and entitlements.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

The proprietary fund and the investment trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met.

D. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code. Annually, on or before of date designated by the State Board of Education, each Educational Service Center prepares a budget of operating expenditures for the ensuing year on forms prepared and furnished by the State Board of Education, together with such other information as the Board may require. The Budget consists of two parts. Part (A) includes the cost of the salaries, employer's retirement contributions and travel costs of supervisory teachers approved by the State Board of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center.

Estimated Resources

After the start of the fiscal year, estimated resources are revised to include any unencumbered balances from the preceding fiscal year. The revised estimated resources represents the maximum amount that may be appropriated from each fund. Estimated resources may be further amended during the year as projected increases or decreases in revenue are identified by the Treasurer or additional grant programs are approved by the Governing Board.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Appropriations

The annual Appropriation Resolution must be legally enacted by the Governing Board at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Governing Board may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The Appropriation Resolution, by fund, must be within the estimated resources and the total of expenditures and encumbrances may not exceed the appropriation totals at the fund level of control. Any revisions that alter the total of any fund appropriation must be approved by the Governing Board.

The Governing Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Board of Education. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations that were approved by the Governing Board prior to June 30, 2002. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

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 are not reappropriated.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

E. Cash and Investments

To improve cash management, cash received by the ESC is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet.

During fiscal year 2002, investments were limited to federal agency securities, repurchase agreements, U.S. government money market mutual funds, and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statute all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2002 totaled \$202,934, which includes \$165,320 assigned from other ESC funds.

Based upon the reporting requirements of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the ESC is sponsoring an individual investment account. This account represents monies invested by the ESC on behalf of the Council as its' fiscal agent (See Note 2.A.). During fiscal year 2002, funds were invested in federal agency securities, U.S. government money market mutual funds, nonnegotiable certificates of deposit, and repurchase agreements. The Council's investment portfolio is presented in a separate investment trust fund.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at year-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

G. Fixed Assets and Depreciation

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The ESC follows the capitalization policy of not capitalizing assets with a cost of less than \$500 or a useful life of less than one year. No depreciation is recognized for assets in the general fixed assets account group. The ESC has not included infrastructure in the general fixed asset account group.

H. Compensated Absences

Compensated absences of the ESC consist of vacation leave (including compensatory time) and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the ESC and the employee.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave (including compensatory time) is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick pay is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick pay on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and sick pay liabilities for governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group.

I. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

J. Fund Equity

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

K. Interfund Transactions

During the course of normal operations, the ESC had numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. The ESC made no operating transfers during fiscal year 2002.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable.” The ESC had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The ESC had no long-term advances receivable or payable at June 30, 2002.

See Note 5 for an analysis of interfund transactions.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

L. Prepayments

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepayments. These items are reported as fund assets on the combined balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

M. Estimates

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

N. Pass-Through Grants

The ESC is the primary recipient of grants, which are passed-through to or spent on behalf of the local school districts within the County. When the ESC has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. Grants in which the ESC has no financial or administrative role and are passed-through to the local school districts in the county are reported in an agency fund.

O. Memorandum Only - Total Columns

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2002 included the following fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Other Grant	\$24,724
Management Information Systems	23
Preschool Grant	605
<u>Internal Service Fund</u>	
Rotary	28,886

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficits in the special revenue funds are caused by the application of GAAP, namely in the reporting of liabilities for accrued wage, benefit and pension obligations attributable to the fiscal year. In addition, certain of these deficits are caused by the reporting of “advances in” (subject to repayment) from other funds as a liability rather than as an “other financing source.” These deficits will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

The deficit retained earnings in the Rotary internal service fund is caused by reporting accounts payable as a liability at year-end and by reporting “advances in” (subject to repayment) from other funds as a liability rather than as “nonoperating revenue”. This deficit will be eliminated by anticipated revenues not recognized and recorded at June 30.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Agency Funds

The following are accruals for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES

Accounts payable	\$36,773
Due to other governments	2,288
Pension obligation payable	2,201
Compensated absence payable	13,394

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The ESC maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". State statutes require the classification of monies held by the ESC into three categories:

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

Inactive deposits are public deposits the Governing Board 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 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 accounts, including passbook accounts.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the ESC's deposits was \$1,139,676 and the bank balance was \$4,124,530. These balances include \$3,700,000 in non-negotiable certificates of deposit. Of the bank balance:

1. \$470,885 was covered by federal deposit insurance; and
2. \$3,653,645 was uninsured and uncollateralized as defined by GASB because it was secured by collateral held by third party trustees pursuant to section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the ESC. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the ESC to a successful claim by the FDIC.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The ESC's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the ESC. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the ESC's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the ESC's name. Investments in U.S. government money market mutual funds are uncatagorized investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$ -	\$2,045,445	\$ 2,045,445	\$ 2,045,445
Federal agency securities	<u>15,634,553</u>	<u>-</u>	15,634,553	15,634,553
	<u>\$15,634,553</u>	<u>\$2,045,445</u>		
U.S. government money market mutual funds			<u>89,661</u>	<u>89,661</u>
Total investments			<u>\$17,769,659</u>	<u>\$17,769,659</u>

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

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 18,909,335	\$ -
Investments of the cash management pool:		
Federal agency securities	(15,634,553)	15,634,553
Repurchase agreements	(2,045,445)	2,045,445
U.S. government money market mutual fund	<u>(89,661)</u>	<u>89,661</u>
GASB Statement No. 3	<u>\$ 1,139,676</u>	<u>\$17,769,659</u>

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the ESC's interfund loans receivable and payable at June 30, 2002:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$160,445	\$ -
<u>Special Revenue Funds</u>		
Collaboration 10 Project	-	4,345
LSTA Matching Grant	-	20,000
RPDC-Subsidy Grant	-	6,000
<u>Internal Service Fund</u>		
Internal Service Rotary	-	28,000
<u>Agency Fund</u>		
District Agency	<u>-</u>	<u>102,100</u>
Totals	<u>\$160,445</u>	<u>\$160,445</u>

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002 consisted of accrued interest on instruments, excess costs and fees due from other governments, and interfund loans. Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible. A summary of the receivables follows:

	Amount
<u>General Fund</u>	
Due from other governments	\$1,133,415
Accrued interest	137,045
Interfund loans	160,445
 <u>Special Revenue Funds</u>	
Due from other governments	355,429
 <u>Investment Trust Fund</u>	
Accrued interest	142,648

NOTE 7 - STATE FUNDING

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the participating school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their state foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2002</u>
Land and improvements	\$ 76,515	\$ -	\$ -	\$ 76,515
Buildings and improvements	1,815,250	-	(30,065)	1,785,185
Furniture, fixtures and equipment	1,628,918	147,165	(169,522)	1,606,561
Vehicles	<u>81,787</u>	<u>18,775</u>	<u>(23,365)</u>	<u>77,197</u>
Total	<u>\$3,602,470</u>	<u>\$165,940</u>	<u>\$(222,952)</u>	<u>\$3,545,458</u>

NOTE 9 - LONG-TERM OBLIGATIONS

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and pension obligations will ultimately be paid from the fund from which the employee is paid.

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
Pension obligation payable	\$ 8,988	\$9,243	\$ (8,988)	\$ 9,243
Compensated absences	<u>544,905</u>	-	<u>(82,953)</u>	<u>461,952</u>
Total	<u>\$553,893</u>	<u>\$9,243</u>	<u>\$(91,941)</u>	<u>\$471,195</u>

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ESC has obtained risk management by traditional means of insuring through a commercial company. With the exception of a deductible, the risk of loss transfers entirely from the ESC to the commercial company. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

B. Shared Risk Pool

The ESC is a participant in the Stark County Schools Council of Government (“Council”) for the purpose of obtaining benefits at a reduced premium for both health care and workers’ compensation.

The ESC’s insurance program for health care, through the Council, is administered by Mutual Health Services Company and Aultcare Corporation. Payments are made to the Council for monthly premiums, monthly stop-loss premiums and administrative charges. The ESC is fiscal agent for the Council. The Treasurer of the ESC pays Mutual Health Services Company and Aultcare Corporation monthly for all participating districts, the actual amount of claims processed, the stop-loss premium and the administrative charges.

C. Worker’s Compensation

The ESC also participates in a program with the Council to obtain workers’ compensation coverage. This program is administered by Comp Management, Inc. The experience rating of each of the participating districts is calculated as one experience rate and applied to all participants in the program. Premiums paid to the Ohio Bureau of Workers’ Compensation are based on this calculation. Total savings are then determined and each participant’s performance is compared to the overall savings percentage of the program. The districts will then either receive money back or be required to contribute additional money to the Program.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The ESC contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the ESC is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The ESC's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$488,444, \$558,460, and \$477,805, respectively; 100% has been contributed for fiscal years 2002, 2001 and 2000.

B. State Teachers Retirement System

The ESC contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the ESC is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The ESC's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$752,362, \$877,796, and \$733,607, respectively; 100% has been contributed for fiscal years 2002, 2001 and 2000.

C. Social Security System

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the ESC, this amount equaled \$241,831 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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STARK COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the ESC, the amount to fund health care benefits, including surcharge, equaled \$306,780 during the 2002 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess/(Deficiency) of Revenues and Other Financing Sources
Over/Under Expenditures and Other
Financing Uses**

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$(1,057,266)	\$ 10,150	\$(698,065)
Net adjustment for revenue accruals	(89,203)	(10,870)	-
Net adjustment for expenditure accruals	484,083	(282,356)	39,947
Net adjustment for other financing sources/(uses)	390,477	27,649	-
Encumbrances (budget basis)	<u>285,332</u>	<u>483,611</u>	<u>103,098</u>
GAAP basis	<u>\$ 13,423</u>	<u>\$ 228,184</u>	<u>\$(555,020)</u>

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STARK COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 14 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the ESC at June 30, 2002.

B. Litigation

There are no claims or lawsuits pending against the ESC that, upon ultimate disposition, would have a material effect, if any, on the financial condition of the ESC.

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The ESC is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 15 - RELATED PARTY TRANSACTIONS

During fiscal year 2002, the ESC received fees in the amount of \$55,945 for fiscal agent services provided to the Stark County Schools Council of Government.

The ESC also serves as fiscal agent for Stark Portage Area Computer Consortium (SPARCC). In lieu of fiscal agent fees, the ESC receives computer services from SPARCC at no charge.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Cash Receipts	Cash Expenditures
United States Department of Education				
<i>(Passed-through the Ohio Department of Education)</i>				
Special Education Preschool Grants	84.173	49825-PG-S1-2002	\$110,721	\$110,721
Eisenhower Professional Development State Grants	84.281	49825-MS-S1-2001	0	80,931
Goals 2000 State and Local Systemic Improvements	84.276	49825-G2-S9-2001	1,830	1,830
Even Start State Educational Agencies	84.213	49825-EV-S3-2002	87,599	29,120
		49825-EV-S2-2001	222,584	202,149
Total Even Start State Educational Agencies			<u>310,183</u>	<u>231,269</u>
Total United States Department of Education			422,734	424,751
United States Department of Health and Human Services				
<i>(Passed-through the Ohio Department of Mental Retardation and Developmental Disabilities)</i>				
Title XIX - Medicaid Assistance Program	93.778	N/A	150,160	150,160
United States Department of Labor				
<i>(Passed-through Job Training Partnership Ohio Service Delivery Area # 23)</i>				
Job Training Partnership Act	17.998	N/A	17,231	0
United States Department of Transportaton				
<i>(Passed-through Office of the Governor's Highway Safety Representative)</i>				
State and Community Highway Safety	20.600	FY 2002	6,958	3,034
Institute of Museum and Library Services				
<i>(Passed-through the State Library of Ohio)</i>				
State Library Program	45.310	I-II-98	0	13,312
		I-10-01	217,321	170,357
Total State Library Program			<u>217,321</u>	<u>183,669</u>
National Science Foundation				
<i>(Direct)</i>				
Mathematical and Physical Sciences	47.049	N/A	160,000	152,135
Totals			<u>\$974,404</u>	<u>\$913,749</u>

The notes to Schedule of Receipts and Expenditures of Federal Awards are an integral part of this statement.

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

Certain federal programs require that the Service Center contribute non-federal funds (matching funds) to support federally funded programs. The Service Center has complied with such matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

NOTE C – JOB TRAINING PARTNERSHIP (JTP)

The Service Center has no program income, no stand-in-costs and no variances between the JTP and the audited financial statements; therefore, the Schedule of Program Income, Schedule of Stand-in Costs, and Schedule of Variances have been omitted.



Auditor of State Betty Montgomery

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

Stark County Educational Service Center
Stark County
2100 38th Street NW
Canton, Ohio 44709

To the Members of the Governing Board:

We have audited the general purpose financial statements of the Stark County Educational Service Center, Stark County, Ohio, (the Service Center) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to the management of the Service Center in a separate letter dated January 30, 2003.

Internal Control Over Financial Reporting

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

However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Service Center in a separate letter dated January 30, 2003.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Stark County Educational Service Center
Stark County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 30, 2003



Auditor of State Betty Montgomery

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

Stark County Educational Service Center
Stark County
2100 38th Street NW
Canton, Ohio 44709

To the Members of the Governing Board:

Compliance

We have audited the compliance of the Stark County Educational Service Center, Stark County, Ohio, (the Service Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Service Center's management. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

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

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the Service Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Service Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

111 Second St., NW / Fourth Floor / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Service Center in a separate letter dated January 30, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 30, 2003

**STARK COUNTY EDUCATIONAL SERVICE CENTER
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Even Start State Educational Agencies- CFDA #84.213
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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

STARK COUNTY EDUCATIONAL SERVICE CENTER

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2003**