



Dave Yost • Auditor of State



**PORTAGE COUNTY EDUCATIONAL SERVICE CENTER  
PORTAGE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Portage County Educational Service Center  
Portage County  
326 East Main Street  
Ravenna, Ohio 44266

To the Governing Board:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Portage County Educational Service Center, Portage County, Ohio (the Service Center), as of and for the year ended June 30, 2015, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Service Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Service Center's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

***Basis for Adverse Opinion***

As described in Note 1 of the financial statements, the Service Center prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Adverse Opinion***

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position and results of operations, of the Portage County Educational Service Center as of and for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2016, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 4, 2016

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Fiscal Year Ended June 30, 2015*

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>CASH RECEIPTS:</b>				
Intergovernmental	\$ 1,564,865	\$ 203,952	\$ 0	\$ 1,768,817
Investment Income	122	12	0	134
Tuition and Fees	5,199,997	0	0	5,199,997
Charges for Services	7,536,388	0	0	7,536,388
Gifts and Contributions	2	0	0	2
Miscellaneous	55,200	0	0	55,200
<b>Total Cash Receipts</b>	<u>14,356,574</u>	<u>203,964</u>	<u>0</u>	<u>14,560,538</u>
<b>CASH DISBURSEMENTS:</b>				
Instruction:				
Regular	469,389	41,590	0	510,979
Special	6,189,940	125,998	0	6,315,938
Other	18,488	0	0	18,488
Support Services:				
Pupils	3,648,344	22,767	0	3,671,111
Instructional Staff	1,323,926	38,190	0	1,362,116
Board of Governors	350,434	0	0	350,434
Administration	760,997	1,000	0	761,997
Fiscal	317,481	0	0	317,481
Business	45,981	0	0	45,981
Operation and Maintenance of Plant	33,410	0	0	33,410
Pupil Transportation	12,783	0	0	12,783
Central	105,088	0	0	105,088
Operation of Non-Instructional Services	1,265	140,279	0	141,544
Extracurricular Activities	8,968	0	0	8,968
Debt Service:				
Principal Retirement	37,433	0	0	37,433
Interest and Fiscal Charges	3,519	0	0	3,519
<b>Total Cash Disbursements</b>	<u>13,327,446</u>	<u>369,824</u>	<u>0</u>	<u>13,697,270</u>
<b>Excess of Cash Receipts Over/(Under)</b>				
<b>Cash Disbursements</b>	1,029,128	(165,860)	0	863,268
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS):</b>				
Advances In	1,661	0	0	1,661
Advances Out	0	(1,661)	0	(1,661)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>1,661</u>	<u>(1,661)</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Cash Balances</b>	1,030,789	(167,521)	0	863,268
<b>Fund Cash Balances, July 1, 2014 (Restated-See Note 13)</b>	<u>678,346</u>	<u>233,659</u>	<u>47</u>	<u>912,052</u>
<b>Fund Cash Balances, June 30, 2015:</b>				
Restricted	0	66,138	47	66,185
Unassigned	1,709,135	0	0	1,709,135
<b>Total Fund Cash Balances, June 30, 2015</b>	<u>\$ 1,709,135</u>	<u>\$ 66,138</u>	<u>\$ 47</u>	<u>\$ 1,775,320</u>

See accompanying notes to the financial statements.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances*  
*All Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2015*

	<b>Agency</b>
<b>OPERATING CASH RECEIPTS:</b>	
Charges for Services	\$ 42,957,588
Investment Income	2,289
Other Operating Receipts	108,069
<b>Total Operating Cash Receipts</b>	<b>43,067,946</b>
<b>OPERATING CASH DISBURSEMENTS:</b>	
Fringe Benefits	41,478,151
Purchased Services	3,190,532
Other Operating Disbursements	310,999
<b>Total Operating Cash Disbursements</b>	<b>44,979,682</b>
<b>Change in Fund Cash Balances</b>	(1,911,736)
<b>Fund Cash Balances, July 1, 2014 (Restated - See Note 13)</b>	<b>7,601,428</b>
<b>Fund Cash Balances, June 30, 2015</b>	<b>\$ 5,689,692</b>

See accompanying notes to the financial statements.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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.

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, this includes 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 or 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 provided 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 8 to the basic financial statements.

The Educational Service Center’s management believes these financial statements present all activities for which the Educational Service Center is financially accountable.

**B. Basis of Accounting**

Although required by Ohio Administrative Code 117-2-03(B) to prepare its financial report in accordance with accounting principles generally accepted in the United States of America, the Educational Service Center has chosen to prepare its financial statements and notes on a basis of accounting not in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received rather than when they are earned, and disbursements are recognized when paid rather than when the liability is incurred.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

**C. Cash and Investments**

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.

During the fiscal year 2015, investments were limited to STAR Ohio (the State Treasurer's Investment Pool) and a repurchase agreement.

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

Purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2015. 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 2015 amounted to \$122, which includes \$3 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.

**D. 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**

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

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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Special Revenue Funds - Special Revenue funds are used to account for the proceeds of special revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes. The most significant Special Revenue funds are:

Food Service Fund - This fund assists the Educational Service Center in administering financial transactions related to food service operations.

Other Grants Fund - The other grants 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.

Capital Projects Funds - 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. The only Capital Project fund in the Educational Service Center is the:

ONENet - This fund assists the Educational Service Center to account for money appropriated for Ohio Educational Computer Network Connections.

**Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Educational Service Center's own programs.

The Educational Service Center's only fiduciary fund is an agency fund. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Educational Service Center disburses these funds as directed by the individual, organization or other government. The Educational Service Center's agency fund accounts for a local insurance consortium.

**E. Budgetary Basis**

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.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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In fiscal year 2004, the Educational Service Center's 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 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.

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.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Educational Service Center's basis of accounting.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects the financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

**I. Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Educational Service Center classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes property acquired for resale, unless the use of the proceeds from the sale of those properties is restricted, committed or assigned.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Educational Service Center Governing Board. Those committed amounts cannot be used for any other purpose unless the Educational Service Center Governing Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the Educational Service Center for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Educational Service Center Governing Board. The Board of Governors has by resolution authorized the Treasurer to assign fund balance. The Board of Governors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Educational Service Center applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**J. Implementation of New Accounting Principles**

For the fiscal year ended June 30, 2015, the Educational Service Center has implemented (as it applies to the cash basis of accounting) Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Educational Service Center.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the Educational Service Center.

## **2. POOLED CASH 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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Interim monies to 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 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 (STAR Ohio and STAR Plus);
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 25% 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.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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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% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

**Deposits** At fiscal year-end 2015, the carrying amount of the Educational Service Center's deposits was \$2,969,376 and the bank balance was \$3,159,968. Of the bank balance:

1. \$500,000 was covered by depository insurance for fiscal year 2015; and
2. \$2,659,968 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 cost. As of June 30, 2015, the Educational Service Center had the following investments:

Rating by Moody	Entity	Cost	Investment Maturities in years (<1)	Percentage of Total
AAAm**	STAR Ohio	\$ 2,834,888	\$ 2,834,888	63.06%
AAA	Chase Repurchase Agreement	1,660,748	1,660,748	36.94%
		<u>\$ 4,495,636</u>	<u>\$ 4,495,636</u>	<u>100.00%</u>

\*\*Rated by Standard and Poor's

**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. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a rating of AAAM by Standard and Poor's.

**Concentration of Credit Risk:** The Educational Service Center places no limit on the amount the Educational Service Center may invest in any one issuer. See percentages above.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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**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 \$1,660,748 investment in repurchase agreement 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.

**3. 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 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 \$200,000 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. The Educational Service Center recognizes that it retains a contingent liability to provide insurance coverage should the assets of the consortium become depleted, although it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

Currently there are 23 school districts in the Consortium, with two more due to enter and one leaving the Consortium on July 1, 2015.

Effective January 1, 1997, the Educational Service Center of Portage County is the fiscal agent of the Consortium and reports balances within an Agency Fund.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**4. DEFINED BENEFIT PENSION PLANS**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – The Educational Service Center participates in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a 3% cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the Educational Service Center is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The Educational Service Center’s contractually required contribution to SERS was \$337,772 for fiscal year 2015.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The Educational Service Center participates in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12% of their annual covered salary. The Educational Service Center was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The Educational Service Center's contractually required contribution to STRS was \$818,106 for fiscal year 2015.

**5. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The Educational Service Center contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

The Educational Service Center's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$19,671, \$11,692 and \$11,070, respectively. For fiscal year 2015, 100% has been contributed for all fiscal years.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Educational Service Center's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$49,372, and \$42,427, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**6. 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 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, the effect of any such disallowed claims on the overall financial position of the Educational Service Center at June 30, 2015, if applicable, cannot be determined at this time.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**B. Litigation**

The Educational Service Center is not party to any claims or lawsuits that would, in the Educational Service Center’s opinion, have a material effect of the basic financial statements.

**7. LONG-TERM DEBT OBLIGATIONS**

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

	Outstanding June 30, 2014	Additions	Deductions	Outstanding June 30, 2015
<b>Governmental Activities:</b>				
Capital Leases	\$ 37,433	\$ 0	\$ 37,433	\$ 0

Capital leases were paid from the general fund.

**8. JOINTLY GOVERNED ORGANIZATION**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization comprised of 30 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 Educational Service Center, which serves as fiscal agent, located at 2100, 38<sup>th</sup> Street, NW, Canton, Ohio 44709.

**9. LEASES**

**A. Operating Lease**

The Educational Service Center (the “Lessee”) has entered into an operating lease, for a five year period commencing on July 1, 2011. 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 \$73,300. 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. The leased was fully paid and terminated in fiscal year 2015.

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**B. Capital Leases**

Capital lease obligations relate to copier equipment and phone system which are leased under long-term agreements. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. The capital leases were paid in full as of June 30, 2015.

**10. INTERFUND ADVANCES**

Interfund advances consisted of the following at June 30, 2015:

	Advances In	Advances Out
General Fund	\$ 1,661	\$ 0
Special Revenue Fund:		
Parent Mentor Program	0	1,661
Total	\$ 1,661	\$ 1,661

The primary purpose of interfund advances is to cover costs in specific funds where receipts were not received by June 30. These interfund advances were a repayment of prior year advances.

**11. COMPLIANCE**

The Educational Service Center did not prepare its financial report in accordance with generally accepted accounting principles, contrary to Ohio Admin. Code 117-2-03.

**12. FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Educational Service Center is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund cash balance are presented as follows:

	General	Special Revenue	Capital Projects	Total
Restricted for:				
Other Purposes	\$ 0	\$ 66,138	\$ 47	\$ 66,185
Unassigned	1,709,135	0	0	1,709,135
Total Fund Balance	\$ 1,709,135	\$ 66,138	\$ 47	\$ 1,775,320

**Portage County Educational Service Center**  
**Portage County, Ohio**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**13. RESTATEMENT OF FUND CASH BALANCES**

Fund cash balance has been restated at June 30, 2014, to change from generally accepted accounting principles to the Ohio Auditor of State's regulatory cash basis of accounting. The adjustments had the following effect on fund balance as previously reported:

	Governmental Fund Types	Fiduciary Fund Types
Fund Balances, June 30, 2014	\$ (456,445)	\$ 4,593,077
Adjustments:		
Interfund Receivable	(1,661)	0
Intergovernmental Receivable	(136,614)	(829,902)
Accounts Payable	387,822	0
Accrued Wages and Benefits	816,783	0
Interfund Payable	1,661	0
Intergovernmental Payable	212,917	0
Matured Compensated Absences Payable	2,439	0
Claims Payable	0	3,838,253
Unavailable Revenue	85,150	0
Beginning Fund Cash Balances, July 1, 2014	\$ 912,052	\$ 7,601,428

**14. SUBSEQUENT EVENT**

The Portage County Educational Service Center (PCESC) was dissolved on June 30, 2015. Portage County client school districts collectively determined economic advantages could be received by obtaining similar services provided from educational service centers elsewhere in the state. Under Ohio Revised Code Section 3311.0510(A), an educational service center shall be abolished and dissolved by order of the superintendent of public instruction if all of the client school districts of the educational service center terminate their agreements with the educational service center pursuant to section 3313.843(D) of the Ohio Revised Code. An order abolishing and dissolving the PCESC was signed by the Ohio Department of Education Superintendent of Public Instruction on July 1, 2015.

A representative from the Ohio Department of Education was appointed to administer the dissolution of the PCESC which in summary requires the following:

Physical assets of the PCESC located within client school district buildings shall become the property of the client school district and physical assets located within the PCESC shall be distributed among the client school districts with remaining unclaimed physical assets of minimal value being donated to charity or disposed of.

All public records maintained by the PCESC in connection with services provided by the PCESC shall be transferred to the client school district which received those services. All other PCESC public records shall be transferred to the Ohio Historical Society for analysis and disposition.

**Portage County Educational Service Center**

**Portage County, Ohio**

*Notes to the Financial Statements*

*For the Fiscal Year Ended June 30, 2015*

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The PCESC is responsible for payment of all debts and obligations and the former client school districts are bound for an equitable share of any outstanding indebtedness of the PCESC in the event that outstanding obligations exceed available funds. This equitable share will be calculated pursuant to the agreement of the former client school districts entered into on May 22, 2015 and attached to a letter sent to the Superintendent of Public Instruction on May 27, 2015. Funds remaining after all obligations have been satisfied, if any, will be distributed to the former client school districts using the same equitable share formula.

The Superintendent of Public Instruction reserves the right to amend the dissolution order upon request in order to complete the dissolution of the PCESC.

On July 1, 2015, the Ohio Department of Education Superintendent of Public Instruction issued an order abolishing and dissolving the Educational Service Center effective June 30, 2015.

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# Dave Yost • Auditor of State

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

Portage County Educational Service Center  
Portage County  
326 East Main Street  
Ravenna, Ohio 44266

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Portage County Educational Service Center, Portage County, (the Service Center) as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2016, wherein we issued an adverse opinion as the Service Center followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Service Center's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Service Center's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Service Center's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Entity's Response to Findings***

The Service Center's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Service Center's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Service Center's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 4, 2016

**PORTAGE COUNTY EDUCATIONAL SERVICE CENTER  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Financial Statement Presentation**

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE

**Ohio Administrative Code Section 117-2-03(B)** requires the Portage County Educational Service Center (the Servicer Center) to prepare its annual financial report in accordance with Generally Accepted Accounting Principles (GAAP).

The Service Center closed their operations effective June 30, 2015 and elected not to prepare its annual financial report in accordance with GAAP. The Service Center prepared its financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Service Center may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Service Center should prepare its annual financial report in accordance with GAAP and implement all applicable Government Accounting Standards Board statements.

**Official's Response:**

The Portage County Educational Service Center (PCEC) has prepared the annual financial report in accordance with Generally Accepted Accounting Principles (GAAP) in all previous years. However, the PCEC chose to prepare the statements on a cash basis for fiscal year 2015 for the following reasons:

- The PCEC dissolved on June 30, 2015. At that time, the PCEC was trying to save as much money as possible to make sure all debts were met. Any obligations not met, would be the responsibility of the Ohio Department of Education. Any remaining cash, after all obligations were met, would be disbursed to the PCEC's previous public clients. The cost to produce the annual financial statements was much cheaper to produce on a cash basis vs. a GAAP basis, thus protecting public funds.
- It was much quicker to produce the annual financial statements on a cash basis. This enabled the audit to be done on a more timely fashion.

Because of these reasons, the PCEC chose to have the annual financial statements prepared on a cash basis.

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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 4, 2016**