



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

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**STATE OF OHIO**



**FAIRFIELD COUNTY EDUCATIONAL SERVICE CENTER  
FAIRFIELD COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Fairfield County Educational Service Center  
Fairfield County  
1587 Granville Pike, 3<sup>rd</sup> Floor  
Lancaster, Ohio 43130

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fairfield County Educational Service Center, Fairfield County, as of June 30, 2002, and the results of its operations and the cash flows of its internal service fund 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 December 16, 2002 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**JIM PETRO**  
Auditor of State

December 16, 2002

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**Fairfield County Educational Service Center  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	Governmental Fund Types		Proprietary	Account Groups		Totals
	Special		Fund Types	General	General	2002
	General	Revenue	Internal Service	Fixed Assets	Long Term Obligations	(Memorandum Only)
<b>Assets and Other Debits:</b>						
Equity in Pooled Cash and Investments	\$ 595,443	15,295	0	0	0	\$ 610,738
Interfund Receivables	6,297	0	0	0	0	6,297
Intergovernmental Receivables	521,146	6,297	0	0	0	527,443
Accounts Receivable	86	0	0	0	0	86
Inventory	1,334	0	0	0	0	1,334
Property, Plant, and Equipment	0	0	0	275,177	0	275,177
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0	173,670	173,670
<b>Total Assets and Other Debits</b>	<b>\$ 1,124,306</b>	<b>21,592</b>	<b>0</b>	<b>275,177</b>	<b>173,670</b>	<b>\$ 1,594,745</b>
<b>Liabilities:</b>						
Interfund Payables	\$ 0	6,297	0	0	0	\$ 6,297
Intergovernmental Payable	47,573	807	0	0	6,493	54,873
Accounts Payable	6,073	0	0	0	0	6,073
Accrued Salaries and Benefits	330,971	3,653	0	0	0	334,624
Capital Leases Payable	0	0	0	0	30,867	30,867
Compensated Absences Payable	49,015	0	0	0	136,310	185,325
<b>Total Liabilities</b>	<b>433,632</b>	<b>10,757</b>	<b>0</b>	<b>0</b>	<b>173,670</b>	<b>618,059</b>
<b>Fund Equity and Other Credits:</b>						
Investment in General Fixed Assets	0	0	0	275,177	0	275,177
Retained Earnings	0	0	0	0	0	0
<b>Fund Balances:</b>						
Reserved for Inventory	1,334	0	0	0	0	1,334
Unreserved Fund Balance	689,340	10,835	0	0	0	700,175
<b>Total Fund Balances</b>	<b>690,674</b>	<b>10,835</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>701,509</b>
<b>Total Fund Balances/Retained Earnings</b>	<b>690,674</b>	<b>10,835</b>	<b>0</b>	<b>275,177</b>	<b>0</b>	<b>976,686</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 1,124,306</b>	<b>21,592</b>	<b>0</b>	<b>275,177</b>	<b>173,670</b>	<b>\$ 1,594,745</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Fairfield County Educational Service Center**  
**Combined Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**All Governmental Fund Types**  
**Year Ended June 30, 2002**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>REVENUES:</b>			
Revenue from Local Sources			
Contract Services	\$ 1,665,727	0	\$ 1,665,727
Earnings on Investments	12,432	0	12,432
Services Provided Other Entities	111,612	0	111,612
Miscellaneous	23,482	0	23,482
Revenue from State Sources			
Unrestricted Grants-in-Aid	2,722,275	0	2,722,275
Restricted Grants-in-Aid	1,950	136,778	138,728
Revenue from Federal Sources			
Unrestricted Grants-in-Aid	90,750	30,424	121,174
Restricted Grants-in-Aid	0	2,000	2,000
Total Revenue	<u>4,628,228</u>	<u>169,202</u>	<u>4,797,430</u>
<b>EXPENDITURES:</b>			
Instruction			
Regular Instruction	68,891	113,211	182,102
Special Instruction	978,160	4,302	982,462
Supporting Services			
Supporting Services-Pupils	1,205,160	76,436	1,281,596
Supporting Services-Instructional Staff	1,120,932	7,237	1,128,169
Supporting Services-Board of Education	16,680	0	16,680
Supporting Services-Administration	950,239	3,734	953,973
Fiscal Services	115,774	5,622	121,396
Operation & Maintenance-Plant	25,845	0	25,845
Support Services - Central	1,077	0	1,077
Capital Outlay			
Architecture & Engineering	630	0	630
Total Expenditures	<u>4,483,388</u>	<u>210,542</u>	<u>4,693,930</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	144,840	(41,340)	103,500
<b>Other Financing Sources and Uses:</b>			
Transfers In	131,305	0	131,305
Other Financing Sources	291	0	291
Other Financing Uses	0	(2,594)	(2,594)
Net Other Financing Sources	<u>131,596</u>	<u>(2,594)</u>	<u>129,002</u>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure			
Disbursement and Other Uses	276,436	(43,934)	232,502
Decrease in Inventory	(383)	0	(383)
Beginning Fund Balance	414,621	54,769	469,390
Ending Fund Balance	<u>\$ 690,674</u>	<u>10,835</u>	<u>\$ 701,509</u>

See Accompanying Notes to the General Purpose Financial Statements.



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

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Contract Services	\$ 1,583,853	1,546,992	(36,861)	0	0	\$ 0
Earnings on Investment	18,000	12,432	(5,568)	0	0	0
Services Provided Other Entities	85,478	107,747	22,269	0	0	0
Miscellaneous	17,953	23,482	5,529	0	0	0
State Unrestricted Grants-in-Aid	2,578,579	2,722,275	143,696	0	0	0
State Restricted Grants-in-Aid	0	1,950	1,950	0	136,778	136,778
Federal Unrestricted Grants-in-Aid	0	76,229	76,229	0	24,127	24,127
Federal Restricted Grants-in-Aid	0	0	0	0	2,000	2,000
<b>Total Revenue</b>	<b>4,283,863</b>	<b>4,491,107</b>	<b>207,244</b>	<b>0</b>	<b>162,905</b>	<b>162,905</b>
<b>Expenditures:</b>						
Regular Instruction	74,436	72,333	2,103	131,487	131,487	0
Special Instruction	1,175,255	1,036,060	139,195	65	4,294	(4,229)
Support Services-Pupils	1,479,927	1,268,916	211,011	81,909	72,353	9,556
Support Services-Instructional Staff	1,292,271	1,184,398	107,873	8,577	7,293	1,284
Support Services-Board of Education	28,598	16,684	11,914	0	0	0
Support Services-Administration	1,189,859	1,024,964	164,895	3,729	3,729	0
Fiscal Services	142,667	114,496	28,171	6,000	5,622	378
Oper & Maintenance of Plant	27,435	25,843	1,592	0	0	0
Support Services-Central	3,390	1,077	2,313	0	0	0
Architecture & Engineering	700	630	70	0	0	0
<b>Total Expenditures</b>	<b>5,414,538</b>	<b>4,745,401</b>	<b>669,137</b>	<b>231,767</b>	<b>224,778</b>	<b>6,989</b>
Excess of Revenue Over (Under) Expenditures	(1,130,675)	(254,294)	876,381	(231,767)	(61,873)	169,894
<b>Other Financing Sources (Uses):</b>						
Transfers-In	0	131,305	131,305	0	0	0
Advances-In	0	0	0	0	6,297	6,297
Refund of Prior Years Expense	0	205	205	0	0	0
Advances-Out	0	(6,297)	(6,297)	0	0	0
Refund of Prior Years Receipts	0	0	0	(2,594)	(2,594)	0
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>125,213</b>	<b>125,213</b>	<b>(2,594)</b>	<b>3,703</b>	<b>6,297</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,130,675)	(129,081)	1,001,594	(234,361)	(58,170)	176,191
Beginning Fund Balance	394,579	394,579	--	57,372	57,372	--
Prior Year Carry Over Encumbrances	325,631	325,631	--	7,787	7,787	--
<b>Ending Fund (Deficit) Balance</b>	<b>\$ (410,465)</b>	<b>591,129</b>	<b>1,001,594</b>	<b>(169,202)</b>	<b>6,989</b>	<b>\$ 176,191</b>

(Continued)

**Fairfield County Educational Service Center  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual (Non-GAAP Basis)  
 All Governmental Fund Types - Continued  
 Year Ended June 30, 2002**

Totals (Memorandum Only)			
	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)
<b>Revenues:</b>			
Contract Services	\$ 1,583,853	1,546,992	\$ (36,861)
Earnings on Investment	18,000	12,432	(5,568)
Services Provided Other Entities	85,478	107,747	22,269
Miscellaneous	17,953	23,482	5,529
State Unrestricted Grants-in-Aid	2,578,579	2,722,275	143,696
State Restricted Grants-in-Aid	0	138,728	138,728
Federal Unrestricted Grants-in-Aid	0	100,356	100,356
Federal Restricted Grants-in-Aid	0	2,000	2,000
<b>Total Revenue</b>	<b>4,283,863</b>	<b>4,654,012</b>	<b>370,149</b>
<b>Expenditures:</b>			
Regular Instruction	205,923	203,820	2,103
Special Instruction	1,175,320	1,040,354	134,966
Support Services-Pupils	1,561,836	1,341,269	220,567
Support Services-Instructional Staff	1,300,848	1,191,691	109,157
Support Services-Board of Education	28,598	16,684	11,914
Support Services-Administration	1,193,588	1,028,693	164,895
Fiscal Services	148,667	120,118	28,549
Oper & Maintenance of Plant	27,435	25,843	1,592
Support Services-Central	3,390	1,077	2,313
Community Services	700	630	70
<b>Total Expenditures</b>	<b>5,646,305</b>	<b>4,970,179</b>	<b>676,126</b>
Excess of Revenue Over (Under) Expenditures	(1,362,442)	(316,167)	1,046,275
<b>Other Financing Sources (Uses):</b>			
Transfers-In	0	131,305	131,305
Advances-In	0	6,297	6,297
Refund of Prior Years Expense	0	205	205
Advances-Out	0	(6,297)	(6,297)
Refund of Prior Years Receipts	(2,594)	(2,594)	0
<b>Total Other Sources (Uses)</b>	<b>(2,594)</b>	<b>128,916</b>	<b>131,510</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,365,036)	(187,251)	1,177,785
Beginning Fund Balance	451,951	451,951	--
Prior Year Carry Over Encumbrances	333,418	333,418	--
<b>Ending Fund (Deficit) Balance</b>	<b>\$ (579,667)</b>	<b>598,118</b>	<b>\$ 1,177,785</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Fairfield County Educational Service Center  
Statement of Revenues, Expenses, and Changes in Retained Earnings  
Internal Service Fund  
Year Ended June 30, 2002**

	Internal Service
Transfers to Other Funds	(131,305)
Total Transfers	(131,305)
Net Income (Loss)	(131,305)
Beginning Retained Earnings	131,305
Retained Earnings at End of Year	\$ 0

See Accompanying Notes to the General Purpose Financial Statements.

**Fairfield County Educational Service Center  
Statement of Cash Flows  
Internal Service Fund  
Year Ended June 30, 2002**

	Internal Service
Adjustments to Reconcile	
to Net Cash provided by Operating Activities:	
Net Increase (Decrease) in Liabilities:	
Claims Payable	\$ (62)
Net Adjustments	(62)
Net Cash Used in Operating Activities	(62)
Cash Flows from Non-Capital Activities:	
Transfers to Other Funds	(131,305)
Net Cash Provided by Non-Capital Activities	(131,305)
Net Decrease in Cash & Cash Equivalents	(131,367)
Cash and Cash Equivalents at Beginning of Year	131,367
Cash and Cash Equivalents at End of Year	\$ 0

See Accompanying Notes to General Purpose Financial Statements.

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

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**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The 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 Center is governed by a five member Governing Board elected by the citizens of Fairfield County and is responsible for the provision of special education and support services to public school districts located in the County. The Center also provides support services for the pupils and instructional staff, general administration, business and fiscal services.

The Center serves seven local school districts: Amanda-Clearcreek Local, Berne Union Local, Bloom Carroll Local, Fairfield Union Local, Liberty Union-Thurston Local, Pickerington Local and Walnut Township Local as provided by S.B. 140, O.R.C. Section 3313.483. Lancaster City School District and other school districts outside Fairfield County are served on an individual contract basis for various services.

The Center is located in Lancaster, Ohio and is staffed by 62 certified and 32 non-certified personnel. The Fairfield County commissioners, as required by State statute, provide the offices for the use of the Center.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Center is financially accountable. This report includes all activities considered by management to be part of the Center by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Center over which the Center is financially accountable.

**B. Fund Accounting**

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

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This fund 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 Center for any purpose provided it is expended or transferred according to the bylaws of the Center and the laws of the State of Ohio.

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

Proprietary Fund Type

Proprietary funds are used to account for the Center's ongoing activities which are similar to those found in the private sector. The following is a proprietary fund type:

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Center on a cost reimbursement basis.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the Center's fixed assets.

General Long-Term Debt Account Group - This account group is used to account for all of the Center's long-term obligations.

**C. Measurement/Accounting Focus**

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

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

The modified accrual basis of accounting is followed for the governmental funds.

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

Non-exchange transactions, in which the Center 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 is recognized in the fiscal year in which all eligibility requirements have been satisfied, provided the revenue is 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 Center must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

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

**D. Budget and Budgetary Accounting**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents are the budget and the appropriation resolution, both of which are prepared on the budgetary basis of accounting. The appropriation resolution is subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level must have approval of the Board of Education. All governmental and proprietary fund types are subject to annual expenditures budgets.

SF-5

Annually, the Superintendent and the Treasurer submit to the Governing Board a proposed County Educational Service Center SF-5 budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the sources of financing for all funds. After approval by the Board, the SF-5 budget is submitted to the Ohio Department of Education (ODE) by the date established by the ODE.

Appropriations

An annual appropriation measure must be passed by the Governing Board by July 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Annual Appropriation Resolution is usually adopted at the July regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Expenditures may not exceed appropriations in any fund at the object level.

The Center prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and 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 encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and



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

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**Note 1. Summary of Significant Accounting Policies (continued)**

- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

**E. Cash and Investments**

Cash received by the Center is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio).

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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the Center, all investment earnings accrue to the General Fund. Interest income earned in fiscal year 2002 totaled \$12,432.

**F. Taxes**

A county educational service center, itself, does not levy taxes. However, a county educational service center governing board may serve as the taxing authority for a county school financing district as authorized by the Ohio Revised Code 135.01 (D). The Center does not currently serve as a taxing authority.

**G. Inventories**

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation.

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

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**H. Fixed Assets**

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

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized (\$200 threshold).

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

**I. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The Center currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program  
CAFS

Special Revenue Funds

Educational Management Information Systems

Non-Reimbursable Grants:

Special Revenue Funds

Alcohol and Drug Education Grant  
Title VI-B Early Childhood Preschool  
Drug Free Schools Grant  
Goals 2000

Grants and entitlements amounted to approximately 63% of the Center's operating revenue during the 2002 fiscal year.

**J. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the Center had no "Due to/Due From Other Funds" and \$6,297 in "Interfund Receivables/Payables."

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

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**Note 1. Summary of Significant Accounting Policies (continued)**

**K. Compensated Absences**

The Center accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the Center records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

**L. Long Term Obligations**

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

**M. Interfund Transactions**

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

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**N. Fund Balance Reserves**

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 and inventory. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**O. Memorandum Only - Totals**

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

**Note 2. Budgetary Basis of Accounting**

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types</b>		
	General Fund	Special Revenue
GAAP Basis	\$ 276,436	\$ (43,934)
Increase (Decrease):		
Due to Revenues:		
Net Adjustments to Revenue Accruals	(137,121)	(6,297)
Due to Expenditures:		
Net Adjustments to Expenditure Accruals	(262,013)	(14,236)
Due to Other Sources/Uses	(6,383)	6,297
Budget Basis	\$ (129,081)	\$ (58,170)

**Note 3. Accountability and Compliance**

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

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

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**Note 4. Cash and Investments**

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

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current 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 pass book accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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

**Note 4. Cash and Investments (continued)**

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 Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits:** At year end, the carrying amount of the Center's deposits was \$202,884 and the bank balance was \$219,071. Of the bank balance, \$100,000 was covered by federal depository insurance and \$119,071 was covered by the bank's pooled collateral program. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**Investments:** The Center's investments are required to be categorized to give an indication of the level of risk assumed by the Center at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Center's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Unclassified	Reported Amount	Fair Value
STAR Ohio	<u>\$ 407,854</u>	<u>\$ 407,854</u>	<u>\$ 407,854</u>

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

**Note 4. Cash and Investments (continued)**

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 Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 610,738	\$ 0
Investments:		
STAR Ohio	(407,854)	407,854
GASB Statement No. 3	\$ 202,884	\$ 407,854

**Note 5. Receivables**

Receivables at June 30, 2002 consisted of contract and other services provided to other districts. All receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Contract and Other Services	\$ 521,147
Total General Fund	521,147
Special Revenue Funds:	
Title VI-B PreSchool Grant	\$ 6,297
Total Special Revenue Fund	6,297
Grand Total	\$ 527,444

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

**Note 6. Fixed Assets**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Furniture and Equipment	\$ 242,224	58,853	25,900	\$ 275,177
Total General Fixed Assets	<u>\$ 242,224</u>	<u>58,853</u>	<u>25,900</u>	<u>\$ 275,177</u>

**Note 7. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$85,830, \$78,229 and \$46,255, respectively; 92.21 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$7,193 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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



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

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**Note 7. Defined Benefit Pension Plans (continued)**

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000 (the latest information available), 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$353,105, \$324,717 and \$272,562, respectively; 94.56 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$19,199 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**Note 8. Postemployment Benefits**

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the Center, this amount equaled \$113,498 for fiscal year 2002.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. 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 has been established at \$12,400. For the Center, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$58,849.

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

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**Note 8. Postemployment Benefits (continued)**

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, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 9. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from Center Policy and State laws. Only administrative and support personnel who are under a 11 or 12 month contract are eligible for vacation time.

Employees earn ten to twenty days of vacation per year, depending upon length of service. Employees can accumulate one and one half times their vacation to a maximum of thirty days. Accumulated, unused vacation time is paid to employees upon termination of employment.

Personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-5	10
6-10	15
11-Beyond	20

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis to a maximum of 200 days.

For all employees, retirement severance is paid to each employee retiring from the Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement up to a maximum of 40 days.

**Note 10. Risk Management**

**A. General Risk**

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$1,000,000 in the aggregate.

The Center maintains replacement cost insurance on building contents in the amount of \$146,825, which includes electronic data processing equipment and telephone system coverage.

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

**Note 10. Risk Management (continued)**

B. Public Entity Risk Pools

Workers' Compensation

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The Center provides employee insurances through the Metropolitan Educational Center (MEC) insurance program. Those insurances include: United Health Care for health insurance; Dental Dental for dental for dental insurance; Vision Service Plan for vision insurance; and Medical Mutual for life, accidental death and dismemberment insurance. The Center received a refund of \$105,636.59 once all claims were paid.

**Note 11. Long-Term Obligations**

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$ 6,865	6,493	6,865	\$ 6,493
Capital Leases Payable	24,769	19,664	13,566	30,867
Compensated Absences Payable	160,660	136,310	160,660	136,310
Total	<u>\$ 192,294</u>	<u>162,467</u>	<u>181,091</u>	<u>\$ 173,670</u>

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

**Note 12. Leases**

The Center lease purchased a telephone system in March, 1998 with an original cost of \$12,118. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$2,058 at June 30, 2002.

The Center leased purchased computers in December, 1998 with an original cost of \$6,985. This equipment has been capitalized in the general fixed assets account group. This obligation has an outstanding balance of \$1,118 at June 30, 2002.

The Center leased two copiers in February, 2000 with an original cost of \$15,079. This equipment has been capitalized in the general fixed assets account group. The obligation has an outstanding balance of \$8,026 at June 30, 2002.

The Center leased one copier in August, 2001 with an original cost of \$22,384. This equipment has been capitalized in the general fixed assets account group. The obligation has an outstanding balance of \$19,665 at June 30, 2002.

Payment for the installment purchase obligations as of June 30, 2002, and related interest.

	Telephone Lease	Computer Lease	Copier Lease	Copier Lease
FY2003	\$ 2,146	1,168	\$ 3,907	\$ 5,942
FY2004	0	0	3,311	5,942
FY2005	0	0	1,931	5,942
FY2006	0	0	0	5,942
FY2007	0	0	0	1,483
	<u>2,146</u>	<u>1,168</u>	<u>9,149</u>	<u>25,251</u>
Less interest:	<u>(88)</u>	<u>(50)</u>	<u>(1,123)</u>	<u>(5,586)</u>
Present Value of Minimum Lease	<u>\$ 2,058</u>	<u>1,118</u>	<u>\$ 8,026</u>	<u>\$ 19,665</u>

**Note 13. Interfund Transactions**

At June 30, 2002, the Center had a short-term interfund loan which is classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	\$ 6,297	\$ 0
Special Revenue Fund	<u>0</u>	<u>6,297</u>
	<u>\$ 6,297</u>	<u>\$ 6,297</u>

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

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**Note 14. Jointly Governed Organizations**

Metropolitan Educational Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is it's own fiscal agent. The Center does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services and employee medical insurance to the Center.

Central Ohio Special Education Regional Resource Center (COSERRC)

The Fairfield County Educational Service Center passes a motion each year to become members of COSERRC. The superintendent of the Center is appointed by the Fairfield County Educational Service Center to be the delegate to the Governing Board. COSERRC provides special education services at a regional level, as determined by each of the participating local school districts. The Center has no ongoing financial interest or financial responsibility to COSERRC.

Fairfield County Council for Educational Collaboration

In accordance with the provisions of Ohio Revised Code 167 and 124.81, certain boards of education and institutions of higher education, within Fairfield County, have determined to enter into an agreement to form a council of governments. This council of governments shall be known as the Fairfield County Council for Educational Collaboration.

The purpose of the Fairfield County Council for Educational Collaboration is to bring together the public school systems and public institution for higher education in Fairfield County so they can collectively devise and provide for enhanced educational opportunities for the students and citizens of the community. The areas of interest that may be addressed by the Council include, but are not limited to, student programming, school management issues, and any other collaborative projects deemed appropriate by the governing body of the Council.

The Center appoints the superintendent to be its representative to the Board of Directors of this council.

The Center has no ongoing financial interest or financial responsibility to the Fairfield County Council for Educational Collaboration.

Eastland Joint Vocational School District

The Fairfield County Educational Service Center is a member of the Eastland Joint Vocational School District. The Eastland Joint Vocational School District has a nine-member board of education. Representatives to the Eastland Board consists of two of the Centers board members on the Eastland board of education for two years, then three of members for the next two years. The Center alternates this schedule with the Franklin County Educational Service Center.

The Fairfield County Educational Service Center has no ongoing financial interest or financial responsibility to the Eastland Joint Vocational School District.

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

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**Note 15. Contingencies**

A. Grants

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

B. Litigation

The Center is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2002.

**Note 16. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

As of the date of these financial statements, the Center is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**Note 17. Fund Deficits**

Fund balances at June 30, 2002, included the following individual deficits:

<u>Special Revenue Funds:</u>	
Alternative Education Grant	<u>\$ (137)</u>
Title VI PreSchool Grant	<u>\$ (8)</u>
Goals 2000 Grant	<u>\$ (4)</u>

The deficits resulted from accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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

Board of Education  
Fairfield County Educational Service Center  
Fairfield County  
1587 Granville Pike, 3<sup>rd</sup> Floor  
Lancaster, Ohio 43130

We have audited the general-purpose financial statements of the Fairfield County Educational Service Center, Fairfield County (the Center) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 16, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Financial Reporting**

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

**JIM PETRO**  
Auditor of State

December 16, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**FAIRFIELD COUNTY EDUCATIONAL SERVICE CENTER**

**FAIRFIELD 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  
JANUARY 2, 2003**