EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

Auditor of State
Betty Montgomery

EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Educational Service Center
Logan County
121 South Opera Street
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Educational Service Center, Logan 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 Educational Services Center, Logan County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2003 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.

Betty Montgomery

Betty Montgomery
Auditor of State

February 21, 2003

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EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types		Proprietary Fund Types
	General	**Special Revenue**	**Enterprise**
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	$381,215	$130,777	$171
Receivables:			
Accounts	68,896	24,667	
Fixed Assets			
Other Debits:			
Amount to be Provided From General Government Resources			
Total Assets and Other Debits	450,111	155,444	171
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	29,561	1,807	
Accrued Wages and Benefits	165,323	16,504	
Compensated Absences Payable	20,664		
Intergovernmental Payable	94,385	1,688	
Deferred Revenue	22,606		
Undistributed Monies			
Due to Students			
Total Liabilities	332,539	19,999	
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			171
Fund Balances:			
Reserved:			
Reserved for Encumbrances	73,886	33,150	
Unreserved:			
Unreserved, Undesignated	43,686	102,295	
Total Fund Equity and Other Credits	117,572	135,445	171
Total Liabilities, Fund Equity and Other Credits	$450,111	$155,444	$171

The notes to the general-purpose financial statements are an integral part of this statement.

Fiduciary Fund Types	Account Groups		
Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$160,809			$672,972
			93,563
	115,876		115,876
		121,801	121,801
160,809	115,876	121,801	1,004,212
2,542			33,910
560			182,387
		114,570	135,234
		7,231	103,304
			22,606
127,640			127,640
2,533			2,533
133,275		121,801	607,614
	115,876		115,876
			171
8,647			115,683
18,887			164,868
27,534	115,876		396,598
$160,809	$115,876	$121,801	$1,004,212

EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types		Fiduciary Fund	
	General	**Special Revenue**	**Expendable Trust**	**Totals (Memorandum) Only)**
Revenues:				
Intergovernmental	$1,325,593	$262,244		$1,587,837
Interest	16,291			16,291
Tuition and Fees	249,947	208,180		458,127
Gifts and Donations		15,073	33,431	48,504
Customer Service	339,016	3,060		342,076
Miscellaneous	36,700		14,032	50,732
Total Revenues	1,967,547	488,557	47,463	2,503,567
Expenditures:				
Instruction:				
Special	694,529	243,952		938,481
Support services:				
Pupils	530,804	65		530,869
Instructional Staff	370,757	54,310	48,784	473,851
Board of Education	7,659			7,659
Administration	132,288	11,319		143,607
Fiscal	228,754			228,754
Operation and Maintenance of Plant	11,927			11,927
Central	29,981	157,074		187,055
Non-Instructional Services	11,090		4,764	15,854
Total Expenditures	2,017,789	466,720	53,548	2,538,057
Excess of Revenues Over (Under) Expenditures	(50,242)	21,837	(6,085)	(34,490)
Other Financing Sources and Uses				
Operating Transfers In		88,272		88,272
Operating Transfers Out	(88,272)			(88,272)
Refund of Prior Year Expenditures	692			692
Refund of Prior Year Receipts		(383)	(1,479)	(1,862)
Total Other Financing Sources (Uses)	(87,580)	87,889	(1,479)	(1,170)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(137,822)	109,726	(7,564)	(35,660)
Fund Balance at Beginning of Year	255,394	25,719	35,098	316,211
Fund Balance at End of Year	$117,572	$135,445	$27,534	$280,551

The notes to the general-purpose financial statements are an integral part of this statement.

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EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	$1,422,306	$1,418,060	($4,246)
Interest	25,000	16,291	(8,709)
Tuition and Fees	250,000	227,846	(22,154)
Gifts and Donations			
Customer Services	350,000	339,016	(10,984)
Miscellaneous	19,795	19,795	
Total Revenues	2,067,101	2,021,008	(46,093)
Expenditures:			
Current:			
Instruction:			
Special	770,229	726,646	43,583
Other			
Support services:			
Pupils	570,479	563,042	7,437
Instructional Staff	411,582	396,204	15,378
Board of Education	7,890	7,841	49
Administration	148,950	143,699	5,251
Fiscal	251,423	223,986	27,437
Operation and Maintenance of Plant	56,606	22,062	34,544
Central	49,691	29,704	19,987
Non-Instructional Services	13,591	11,065	2,526
Extracurricular activities			
Total Expenditures	2,280,441	2,124,249	156,192
Excess of Revenues Over (Under) Expenditures	(213,340)	(103,241)	110,099
Other Financing Sources and Uses			
Refund of Prior Year Expenditures		692	692
Advances In		10,139	10,139
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources (Uses)		10,831	10,831
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(213,340)	(92,410)	120,930
Fund Balances at Beginning of Year	378,765	378,765	
Prior Year Encumbrances Appropriated	14,604	14,604	
Fund Balance at end of Year	$180,029	$300,959	$120,930

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types			Fiduciary Fund Type		
Special Revenue			Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
$262,244	$262,244				
244,500	242,763	(1,737)			
16,090	15,073	(1,017)	58,339	48,386	(9,953)
3,070	3,060	(10)			
27,600		(27,600)	25,586	25,586	
553,504	523,140	(30,364)	83,925	73,972	(9,953)
261,717	245,480	16,237			
			44		44
65	65				
91,910	90,396	1,514	86,914	65,880	21,034
7,402	11,320	(3,918)			
176,975	156,837	20,138			
			5,373	4,764	609
			131		131
538,069	504,098	33,971	92,462	70,644	21,818
15,435	19,042	3,607	(8,537)	3,328	11,865
	(383)	(383)		(1,479)	(1,479)
	(762)	(762)			
	(1,145)	(1,145)		(1,479)	(1,479)
15,435	17,897	2,462	(8,537)	1,849	10,386
61,972	61,972		11,628	11,628	
15,951	15,951		8,058	8,058	
$93,358	$95,820	$2,462	$11,149	$21,535	$10,386

EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Other Revenues	$2,622
Operating Expenses	
Purchased Services	1,101
Materials and Supplies	443
Total Operating Expenses	1,544
Operating Income	1,078
Retained Earnings at Beginning of Year	(907)
Retained Earnings at End of Year	$171

The notes to the general-purpose financial statements are an integral part of this statement.

EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Increase/(Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Other Cash Receipts	$2,622
Cash Payments to Suppliers for Goods and Service	(443)
Cash Payments for Contract Services	(1,101)
Net Cash Provided (Used) by Operating Activities	1,078
Cash Flows from Noncapital Financing Activities:	
Advance Out	(907)
Net Cash Provided (Used) by Noncapital Financing Activities	(907)
Net Increase (Decrease) in Cash and Cash Equivalents	171
Cash and Cash Equivalents at Beginning of Year	0
Cash and Cash Equivalents at End of Year	171
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	1,078
Net Cash Provided (Used) by Operating Activities	$1,078

The notes to the general-purpose financial statements are an integral part of this statement.

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1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Logan County Educational Service Center (the "Center") is located in Bellefontaine, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to Benjamin Logan, Riverside, and Indian Lake Local School Districts. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Center operates under a locally elected Board form of government consisting of five members at-large for staggered four terms. The Center has 36 support staff employees and 29 certified teaching personnel that provide service to the local and city school districts.

A. Reporting Entity

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization’s governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization’s resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center in that the Center approves the budget, the issuance of debt, or the levying of taxes. The Center does not have any component units.

The Center is associated with several organizations, which are defined as jointly governed organizations and two public entity risk pools. These organizations include the Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, the West Central Ohio Special Education Regional Resource Center, the Logan County Family and Children First Council, the Logan County Education Foundation, the Logan County Schools Benefit Plan Association, and the Ohio School Boards Association Worker’s Compensation Group Rating Plan. These organizations are discussed in Notes 15 and 16 to the general-purpose financial statements.

The Center serves as fiscal agent for the Family and Children First Council, a jointly governed organization for the Center. The Center also is the cash conduit for various grant funds belonging to the three local school districts within the County. Accordingly, this activity is presented within the Center’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - 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 Center functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Types:

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 the Center's proprietary fund type:

Enterprise Fund

Enterprise funds are used to account for Center activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Center’s fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the Center, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the Center except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are 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, trust, and agency funds. The full accrual basis of accounting is followed for the proprietary fund type.

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 and the resources are available. Available means 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 fiscal year end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized on a modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal 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 specified 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 both measurable and available at fiscal year end: grants, interest, tuition, fees, and customer services.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Process

The budgetary process is prescribed by provisions of Section 3317.11 of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include actual beginning of the fiscal year fund balance and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

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

Advances in and out do not balance on the combined budgetary statement. This is due to the repayment of an advance from an Agency Fund, which does not present operating activity to the General Fund.

1. Appropriations:

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

The Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

2. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Investment earnings are allocated as authorized by State statute. Following Ohio Statutes, the Education Service Center allocates all interest earnings to the General Fund. Interest revenue in fiscal year 2002 totaled $16,291.

For presentation on the combined statement, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Center are considered to be cash equivalents.

E. Estimates

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

F. Fixed Assets and Depreciation

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

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

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements
General Fund
- State Foundation Program

Non-Reimbursable Grants
Special Revenue Funds
- Reading Recovery
- Professional Development
- Children's Trust Fund
- TOPS Grant
- Gifted Workshops
- Education Management Information Systems
- Public Preschool
- Entry Year Planning
- One Net
- School Net Professional Development
- School Net Planning Grant
- Summer School
- Alternative School
- TOPS Grant
- Highway Safety Grant
- Eisenhower Grant
- Title VI-B
- Juvenile Accountability Grant
- Preventative Health
- Drug-Free Grant
- Early Childhood Education
- Early Intervention
- Miscellaneous State Grants

Grants and entitlements amounted to approximately 64 percent of the Center's operating revenue during the 2002 fiscal year.

Flow-Through Grants

The Center is the primary recipient of grants which are passed-through or spent on behalf of the school districts within the County. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2002, these funds included Eisenhower, Drug Free, and Goal 2002 (Miscellaneous Federal Grant) special revenue funds. Grants in which the Center has no financial or administrative role are passed-through to the school districts in the county and are reported in an agency fund.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees after twenty years of current service with the Center, or after fifteen years of service and at least forty five years of age, or after five years of service and at least fifty years of age. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets. At June 30, 2002 the Center did not have any interfund receivables/payables.

J. Accrued Liabilities and Long-Term Obligations

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Reserves

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

M. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned “Total - (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or 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.

3. ACCOUNTABILITY

At June 30, 2002, the Martha Holden Jennings Special Revenue fund had a deficit fund balance of $86,382, which was created by the application of generally accepted accounting principles.

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund**

	General	Special Revenue	Expendable Trust
Budget Basis	($92,410)	$17,897	$1,849
Adjustments for:			
Revenue Accruals	(53,461)	(34,583)	(26,509)
Expenditure Accruals	26,204	2,421	7,995
Other Sources/Uses	(98,411)	89,034	
Encumbrances	80,256	34,957	9,101
GAAP Basis	$(137,822)	$109,726	($7,564)

5. DEPOSITS 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim 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 Center is provided by the Federal Deposit Insurance Corporation, 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 other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or 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 the federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and

6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the Center's deposits was $672,972 and the bank balance was $724,183. Of the bank balance, $225,000 was covered by federal depository insurance, and $499,183 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Center to a successful claim by the Federal Deposit Insurance Corporation.

6. STATE FUNDING

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

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

6. STATE FUNDING (Continued)

The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by $37. This amount is provided from State resources.

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

7. RECEIVABLES

Receivables at June 30, 2002, consisted of accounts (excess costs and tuition) and interfund. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

8. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Prior Period Adjustment	Restated Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Buildings	$42,000	$42,000	$0	$0	$42,000
Furniture and Equipment		80,382	0	$6,506	$73,876
Total Fixed Assets	$42,000	$122,382	$0	$6,506	$115,876

The prior period adjustment was necessary to record modular classrooms purchased in 1998.

9. RISK MANAGEMENT

A. Property and Liability

The Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the Center contracted with Nationwide Insurance for general liability insurance. Property is also protected by Nationwide Insurance. Coverage's provided by Nationwide Insurance are as follows:

Building and Contents –	
Replacement cost ($250 deductible)	$241,900
General Liability	
Per occurrence	3,000,000
Total per year	3,000,000
Employee Benefit Liability	100,000

There has been no significant change in coverage from last year. Settled claims have not exceeded this commercial coverage in any of the past three years.

9. RISK MANAGEMENT (Continued)

B. Health Insurance

The Center participates in the Logan County Schools Benefit Plan Association (the "Plan"); a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Logan County Educational Service Center. The Center pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation

For fiscal year 2002, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the 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. Each year, the Center pays an enrollment fee to the plan to cover the costs of administering the program.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. 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 to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were $119,475, $98,232, and $68,198, respectively; none has been contributed for fiscal year 2002 and 100 percent has been contributed for the fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002 is recorded as a liability in the respective funds.

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statue per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available 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, 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 rate is 14 percent of the annual covered payroll; 5.46 percent was the portion to fund pension obligations for fiscal year 2002. For fiscal year 2001, 4.2 percent 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 amounts, by the SERS' Retirement Board. The Center's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $23,518, $20,402, and $19,268, respectively. 100 percent has been contributed for each fiscal year.

11. 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 classified 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 obligation 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount was $56,593.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3,011 billion at June 30, 2002. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were $354,697,000, and STRS had 105,300 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.

11. POSTEMPLOYMENT BENEFITS (Cointinued)

For the fiscal year 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at $12,400. For the Center, the amount to fund health care benefits, including the surcharge, was $44,016 for fiscal year 2002.

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 currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. All twelve-month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time does carry beyond the contract year in which it is earned. Accumulated, unused vacation time is paid to administrators upon termination of employment if negotiated with the Board of Education. Teachers do not earn vacation time. All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract year in which it is earned.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for 22.5 percent of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

B. Life Insurance

The Center provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Blue Cross and Blue Shield.

13. LONG-TERM OBLIGATIONS

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

	Balance at 07/01/01	Additions	Deductions	Balance at 06/30/02
Pension Obligation	$10,660		$3,429	$7,231
Compensated Absences	129,629		15,059	114,570
Total Long-Term Obligations	$140,289		$18,488	$121,801

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Center maintains one enterprise fund to account for the uniform school supplies sold through the Saturday Enrichment Program. The table below reflects the more significant financial data relating to the enterprise fund of the Center as of and for the fiscal year ended June 30, 2002.

	Saturday Enrichment Program
Operating Revenues	$2,622
Operating Income	1,078
Net Income	1,078
Net Working Capital	171
Total Assets	171
Total Liabilities	
Total Equity	171

15. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent upon the software package utilized. The governing board of WOCO consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the Center does not have an equity interest in WOCO, as the residual interest in the net resources of the joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Sharon Waldsmith, who serves as the fiscal agent, at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District - The Ohio Hi-Point Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

West Central Ohio Special Education Regional Resource Center – The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate ever year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326.

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Family and Children First Council – The Family and Children First Council provides services to multi-need youth in Logan County. Members of the council include but are not limited to the Logan County Board of Mental Retardation and Development Disabilities, Mental Health Board, Logan County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Logan County Head Start, Logan County Board of Health, Logan County Human Services, Logan County Educational Service Center and the Ohio Department of Youth Services. The operation of the council is controlled by an advisory committee, which consists of a representative from each agency. Funding comes mainly from the State of Ohio.

Logan County Education Foundation – The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Adelsberger, who serves as Financial Advisor, 2626 County Road 18, Bellefontaine, Ohio 43311.

16. PUBLIC ENTITY RISK POOLS

Logan County Schools Benefit Plan Association - The Center participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Logan County Educational Service Center. The Center pays monthly premiums to the Plan for employee medical benefits. The Plan is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Ohio School Boards Association Workers' Compensation Group Rating Plan - 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program.

17. CONTINGENT LIABILITIES

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

18. STATE SCHOOL FUNDING DECISION

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

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

Auditor of State
Betty Montgomery

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

Educational Service Center
Logan County
121 South Opera Street
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of the Educational Service Center, Logan County (the "Center"), as of and for the year ended June 30, 2002, and have issued our report thereon dated February 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Center in a separate letter dated February 21, 2003.

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

Betty Montgomery

Betty Montgomery
Auditor of State

February 21, 2003

EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain:*
2001-10246-01	Ohio Rev. Code Section 5705.41(D), prior certification of expenditures	Yes	

Auditor of State
Betty Montgomery

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800-282-0370

Facsimile 614-466-4490

LOGAN COUNTY EDUCATIONAL SERVICE CENTER

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2003