



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

---

**STATE OF OHIO**





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Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

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**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

South Central Ohio Educational Service Center  
Scioto County  
411 Court Street, Room 105  
Portsmouth, Ohio 45662

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the South Central Ohio Educational Service Center, Scioto County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the Scioto County Joint Vocational School, the Educational Services Center's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for the Scioto County Joint Vocational School, is based upon the report of the other auditors.

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 financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the South Central Ohio Educational Service Center, Scioto County, as of June 30, 2002 and the results of its operations and the cash flows of its discretely presented component unit 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 18, 2002 on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Jim Petro**  
Auditor of State

December 18, 2002



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**South Central Ohio Educational Service Center**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 and Discretely Presented Component Unit  
 June 30, 2002

	<b>GOVERNMENTAL FUND TYPES</b>			<b>FIDUCIARY FUND TYPE</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$350,756	\$582,221	\$0	\$4,495,737
Receivables:				
Property Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	93,265	418,460	0	0
Interfund	231,883	0	0	0
Prepaid Items	2,577	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	0	0	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$678,481</b>	<b>\$1,000,681</b>	<b>\$0</b>	<b>\$4,495,737</b>

<i><b>ACCOUNT GROUPS</b></i>		Totals (Memorandum Only)	<i><b>COMPONENT UNIT</b></i>	Totals (Memorandum Only)
General Fixed Assets	General Long-Term Obligations	Primary Government	Scioto County Joint Vocational School District	Reporting Entity
\$0	\$0	\$5,428,714	\$4,282,588	\$9,711,302
0	0	0	2,929,057	2,929,057
0	0	0	207,330	207,330
0	0	511,725	10,337,995	10,849,720
0	0	231,883	407,089	638,972
0	0	2,577	18,528	21,105
0	0	0	21,895	21,895
0	0	0	950	950
0	0	0	272,485	272,485
215,994	0	215,994	7,503,819	7,719,813
0	481,732	481,732	707,783	1,189,515
<u>\$215,994</u>	<u>\$481,732</u>	<u>\$6,872,625</u>	<u>\$26,689,519</u>	<u>\$33,562,144</u>

(continued)

**South Central Ohio Educational Service Center**  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 and Discretely Presented Component Unit  
 June 30, 2002  
 (continued)

	<b>GOVERNMENTAL FUND TYPES</b>			<b>FIDUCIARY FUND TYPE</b>
	General	Special Revenue	Capital Projects	Agency
<b><u>Liabilities,</u></b>				
<b><u>Fund Equity and Other Credits:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$14,242	\$106,190	\$0	\$0
Accrued Wages and Benefits	102,493	275,462	0	0
Compensated Absences Payable	16,172	3,016	0	0
Interfund Payable	0	231,883	0	0
Intergovernmental Payable	13,982	206,002	60	0
Deferred Revenue	65,811	142,101	0	0
Undistributed Monies	0	0	0	4,495,737
Notes Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	0
<b>Total Liabilities</b>	<b>212,700</b>	<b>964,654</b>	<b>60</b>	<b>4,495,737</b>
<b><u>Fund Equity and Other Credits:</u></b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	19,735	322,789	0	0
Reserved for Inventory	0	0	0	0
Reserved for Prepaid Items	0	0	0	0
Reserved for Property Taxes	0	0	0	0
Reserved for Capital Acquisitions	0	0	0	0
Unreserved:				
Undesignated (Deficit)	446,046	(286,762)	(60)	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>465,781</b>	<b>36,027</b>	<b>(60)</b>	<b>0</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$678,481</b>	<b>\$1,000,681</b>	<b>\$0</b>	<b>\$4,495,737</b>

See accompanying notes to the general purpose financial statements

<i><b>ACCOUNT GROUPS</b></i>		<i><b>COMPONENT UNIT</b></i>		
<u>General</u>	<u>General</u>	<u>Totals</u>	<u>Scioto County</u>	<u>Totals</u>
<u>Fixed</u>	<u>Long-Term</u>	<u>(Memorandum</u>	<u>Joint Vocational</u>	<u>(Memorandum</u>
<u>Assets</u>	<u>Obligations</u>	<u>Only)</u>	<u>School District</u>	<u>Only)</u>
\$0	\$0	\$120,432	\$52,209	\$172,641
0	0	377,955	457,738	835,693
0	428,962	448,150	398,098	846,248
0	0	231,883	407,089	638,972
0	5,874	225,918	226,958	452,876
0	0	207,912	11,601,396	11,809,308
0	0	4,495,737	13,617	4,509,354
0	0	0	840,000	840,000
0	46,896	46,896	12,557	59,453
0	0	0	260,000	260,000
<u>0</u>	<u>481,732</u>	<u>6,154,883</u>	<u>14,269,662</u>	<u>20,424,545</u>
215,994	0	215,994	7,337,208	7,553,202
0	0	0	778,405	778,405
0	0	342,524	159,418	501,942
0	0	0	6,559	6,559
0	0	0	18,528	18,528
0	0	0	226,530	226,530
0	0	0	272,485	272,485
<u>0</u>	<u>0</u>	<u>159,224</u>	<u>3,620,724</u>	<u>3,779,948</u>
<u>215,994</u>	<u>0</u>	<u>717,742</u>	<u>12,419,857</u>	<u>13,137,599</u>
<u>\$215,994</u>	<u>\$481,732</u>	<u>\$6,872,625</u>	<u>\$26,689,519</u>	<u>\$33,562,144</u>

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**South Central Ohio Educational Service Center**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 All Governmental Fund Types  
 and Discretely Presented Component Unit  
 For the Fiscal Year Ended June 30, 2002

	General	Special Revenue	Capital Projects	Totals (Memorandum Only) Primary Government	<b>COMPONENT UNIT</b> Scioto County Joint Vocational School District	Totals (Memorandum Only) Reporting Entity
<b><u>Revenues:</u></b>						
Taxes	\$0	\$0	\$0	\$0	\$2,839,418	\$2,839,418
Intergovernmental	1,267,320	1,676,455	3,297	2,947,072	10,851,925	13,798,997
Interest	25,233	0	0	25,233	59,366	84,599
Tuition and Fees	57,749	0	0	57,749	49,585	107,334
Extracurricular Activities	0	0	0	0	10,000	10,000
Customer Services	1,291,586	1,902,934	0	3,194,520	683,037	3,877,557
Miscellaneous	913	254,937	0	255,850	74,335	330,185
<b>Total Revenues</b>	<b>2,642,801</b>	<b>3,834,326</b>	<b>3,297</b>	<b>6,480,424</b>	<b>14,567,666</b>	<b>21,048,090</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	4,707	84,856	0	89,563	0	89,563
Special	0	2,218,352	0	2,218,352	44,936	2,263,288
Vocational	0	18	0	18	3,176,580	3,176,598
Adult/Continuing	35,977	4,457	0	40,434	0	40,434
Other	5,121	0	0	5,121	1,216	6,337
Support Services:						
Pupils	610,632	265,369	0	876,001	6,812,524	7,688,525
Instructional Staff	1,140,797	684,514	6,421	1,831,732	255,360	2,087,092
Board of Education	17,114	1,620	0	18,734	6,539	25,273
Administration	470,918	699,362	0	1,170,280	415,736	1,586,016
Fiscal	161,197	19,188	0	180,385	287,905	468,290
Business	0	0	0	0	90,902	90,902
Operation and Maintenance of Plant	82	67,100	0	67,182	842,709	909,891
Central	161,716	3,419	3,297	168,432	89,059	257,491
Extracurricular Activities	0	0	0	0	62,751	62,751
Capital Outlay	0	7,106	0	7,106	5,744	12,850
Debt Service:						
Principal Retirement	15,881	2,579	0	18,460	192,253	210,713
Interest and Fiscal Charges	12,352	2,090	0	14,442	81,444	95,886
<b>Total Expenditures</b>	<b>2,636,494</b>	<b>4,060,030</b>	<b>9,718</b>	<b>6,706,242</b>	<b>12,365,658</b>	<b>19,071,900</b>
Excess of Revenues Over (Under) Expenditures	6,307	(225,704)	(6,421)	(225,818)	2,202,008	1,976,190
<b><u>Other Financing Sources (Uses):</u></b>						
Operating Transfers In	72,001	10,409	0	82,410	150,150	232,560
Operating Transfers Out	0	(82,313)	0	(82,313)	(225,867)	(308,180)
<b>Total Other Financing Sources (Uses)</b>	<b>72,001</b>	<b>(71,904)</b>	<b>0</b>	<b>97</b>	<b>(75,717)</b>	<b>(75,620)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	78,308	(297,608)	(6,421)	(225,721)	2,126,291	1,900,570
Decrease in Inventory	0	0	0	0	(12,825)	(12,825)
Fund Balances at Beginning of Year	387,473	333,635	6,361	727,469	2,190,778	2,918,247
Fund Balances (Deficit) at End of Year	\$465,781	\$36,027	(\$60)	\$501,748	\$4,304,244	\$4,805,992

See accompanying notes to the general purpose financial statements

**South Central Ohio Educational Service Center**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 2002

	<b>GENERAL FUND</b>			<b>SPECIAL REVENUE FUNDS</b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Intergovernmental	\$1,326,626	\$1,326,626	\$0	\$1,975,985	\$1,870,100	(\$105,885)
Interest	25,233	25,233	0	0	0	0
Tuition and Fees	49,589	49,589	0	0	0	0
Customer Services	1,272,392	1,272,392	0	1,902,871	1,902,871	0
Miscellaneous	208	208	0	254,937	254,937	0
<b>Total Revenues</b>	<b>2,674,048</b>	<b>2,674,048</b>	<b>0</b>	<b>4,133,793</b>	<b>4,027,908</b>	<b>(105,885)</b>
<b><u>Expenditures:</u></b>						
Current:						
Instruction:						
Regular	5,035	5,035	0	85,483	85,483	0
Special	0	0	0	2,555,884	2,555,884	0
Vocational	0	0	0	18	18	0
Adult/Continuing	36,198	36,198	0	82,962	82,962	0
Other	5,121	5,121	0	0	0	0
Support Services:						
Pupils	615,035	615,035	0	263,626	263,626	0
Instructional Staff	1,142,796	1,142,796	0	767,212	767,212	0
Board of Education	19,646	19,646	0	1,620	1,620	0
Administration	475,278	475,278	0	786,823	786,823	0
Fiscal	162,949	162,949	0	43,113	43,113	0
Operation and Maintenance of Plant	282	282	0	67,100	67,100	0
Central	207,771	207,771	0	3,419	3,419	0
Capital Outlay	0	0	0	7,056	7,056	0
<b>Total Expenditures</b>	<b>2,670,111</b>	<b>2,670,111</b>	<b>0</b>	<b>4,664,316</b>	<b>4,664,316</b>	<b>0</b>
Excess of Revenues Over (Under) Expenditures	3,937	3,937	0	(530,523)	(636,408)	(105,885)
<b><u>Other Financing Sources (Uses):</u></b>						
Refund of Prior Year Expenditures	605	605	0	0	0	0
Operating Transfers In	72,001	72,001	0	10,409	10,409	0
Operating Transfers Out	0	0	0	(82,313)	(82,313)	0
Advances In	0	0	0	231,883	231,883	0
Advances Out	(231,883)	(231,883)	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(159,277)</b>	<b>(159,277)</b>	<b>0</b>	<b>159,979</b>	<b>159,979</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(155,340)	(155,340)	0	(370,544)	(476,429)	(105,885)
Fund Balances at Beginning of Year	463,133	463,133	0	551,415	551,415	0
Prior Year Encumbrances Appropriated	21,803	21,803	0	149,694	149,694	0
<b>Fund Balances at End of Year</b>	<b>\$329,596</b>	<b>\$329,596</b>	<b>\$0</b>	<b>\$330,565</b>	<b>\$224,680</b>	<b>(\$105,885)</b>

See accompanying notes to the general purpose financial statements



<i>CAPITAL PROJECTS FUNDS</i>			<i>TOTALS (MEMORANDUM ONLY)</i>		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,297	\$3,297	\$0	\$3,305,908	\$3,200,023	(\$105,885)
0	0	0	25,233	25,233	0
0	0	0	49,589	49,589	0
0	0	0	3,175,263	3,175,263	0
0	0	0	255,145	255,145	0
<u>3,297</u>	<u>3,297</u>	<u>0</u>	<u>6,811,138</u>	<u>6,705,253</u>	<u>(105,885)</u>
0	0	0	90,518	90,518	0
0	0	0	2,555,884	2,555,884	0
0	0	0	18	18	0
0	0	0	119,160	119,160	0
0	0	0	5,121	5,121	0
0	0	0	878,661	878,661	0
6,361	6,361	0	1,916,369	1,916,369	0
0	0	0	21,266	21,266	0
0	0	0	1,262,101	1,262,101	0
0	0	0	206,062	206,062	0
0	0	0	67,382	67,382	0
3,297	3,297	0	214,487	214,487	0
0	0	0	7,056	7,056	0
<u>9,658</u>	<u>9,658</u>	<u>0</u>	<u>7,344,085</u>	<u>7,344,085</u>	<u>0</u>
<u>(6,361)</u>	<u>(6,361)</u>	<u>0</u>	<u>(532,947)</u>	<u>(638,832)</u>	<u>(105,885)</u>
0	0	0	605	605	0
0	0	0	82,410	82,410	0
0	0	0	(82,313)	(82,313)	0
0	0	0	231,883	231,883	0
0	0	0	(231,883)	(231,883)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>702</u>	<u>702</u>	<u>0</u>
<u>(6,361)</u>	<u>(6,361)</u>	<u>0</u>	<u>(532,245)</u>	<u>(638,130)</u>	<u>(105,885)</u>
6,361	6,361	0	1,020,909	1,020,909	0
0	0	0	171,497	171,497	0
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$660,161</u>	<u>\$554,276</u>	<u>(\$105,885)</u>

**South Central Ohio Educational Service Center**  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings  
 Discretely Presented Component Unit  
 For the Fiscal Year Ended June 30, 2002

	<i>Scioto County Joint Vocational School District</i>
<b><u>Operating Revenues:</u></b>	
Tuition	\$963,844
Sales	66,803
Other Operating Revenues	<u>260</u>
<i>Total Operating Revenues</i>	<u>1,030,907</u>
<b><u>Operating Expenses:</u></b>	
Salaries	947,512
Fringe Benefits	411,503
Purchased Services	108,581
Materials and Supplies	185,179
Cost of Sales	51,914
Depreciation	38,372
Other	<u>2,166</u>
<i>Total Operating Expenses</i>	<u>1,745,227</u>
Operating Loss	<u>(714,320)</u>
<b><u>Non-Operating Revenues:</u></b>	
Federal Donated Commodities	12,193
Interest	320
Federal and State Subsidies	<u>622,017</u>
<i>Total Non-Operating Revenues</i>	<u>634,530</u>
Net Loss Before Operating Transfers	(79,790)
Operating Transfers In	<u>75,717</u>
Net Loss	(4,073)
Retained Earnings at Beginning of Year	<u>782,478</u>
Retained Earnings at End of Year	<u><u>\$778,405</u></u>

See accompanying notes to the general purpose financial statements

*South Central Ohio Educational Service Center*  
 Combined Statement of Cash Flows  
 Discretely Presented Component Unit  
 For the Fiscal Year Ended June 30, 2002

	<u>Scioto County Joint Vocational School District</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$66,803
Cash Received from Tuition Payments	1,177,926
Cash Received from Other Operating Sources	260
Cash Payments to Suppliers for Goods and Services	(369,843)
Cash Payments to Employees for Services	(936,714)
Cash Payments on Employee Benefits	<u>(438,426)</u>
Net Cash Used for Operating Activities	<u>(499,994)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Grants Received	622,017
Transfers In	164,878
Transfers Out	<u>(89,161)</u>
Net Cash Provided by Noncapital Financing Activities	<u>697,734</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Payments for Capital Acquisitions	<u>(20,352)</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest on Investments	<u>320</u>
Net Increase in Cash and Cash Equivalents	177,708
Cash and Cash Equivalents at Beginning of Year	<u>435,553</u>
Cash and Cash Equivalents at End of Year	<u><u>\$613,261</u></u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$714,320)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	38,372
Donated Commodities Used During Year	12,193
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	214,082
Increase in Inventory Held for Resale	(341)
Decrease in Accounts Payable	(33,997)
Increase in Accrued Wages and Benefits	4,541
Increase in Compensated Absences Payable	6,047
Decrease in Intergovernmental Payable	(26,713)
Increase in Deferred Revenue	<u>142</u>
Total Adjustments	<u>214,326</u>
Net Cash Used for Operating Activities	<u><u>(\$499,994)</u></u>

See accompanying notes to the general purpose financial statements

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**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY**

The South Central Ohio Educational Service Center (the "Educational Service Center") is located in Portsmouth, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Oak Hill, Adams County/Ohio Valley, Bloom-Vernon, Clay, Green, Minford, New Boston, Northwest, Valley, Washington-Nile, and Wheelersburg Local School Districts, as well as the Scioto County Joint Vocational School District. The Portsmouth City School District is served on a limited basis in the area of handicapped students. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The South Central Ohio Educational Service Center operates under a locally-elected Board form of government consisting of seven members elected at-large for staggered four year terms. The Educational Service Center has 39 classified, 53 certified, and 2 administrative personnel that provide services to the local, city, and joint vocational school districts.

*Reporting Entity:*

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

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organizations' governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. The Scioto County Joint Vocational School District is a component unit of the South Central Ohio Educational Service Center.

The component unit column in the combined financial statements identifies the financial data of the Educational Service Center's discretely presented component unit, the Scioto County Joint Vocational School District. It is reported separately to emphasize that it is legally separate from the Educational Service Center.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY** (continued)

The Scioto County Joint Vocational School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under the direction of a Board consisting of two representatives from Portsmouth City School District and three representatives from the Educational Service Center. The School District provides educational services as authorized by State statute and federal guidelines.

The School District is a discretely presented component unit of the Educational Service Center, a legally separate body politic. Three out of five board members of the School District are also board members of the Educational Service Center. The School District is responsible for levying taxes, approving its own budgets, appointing personnel, and accounting and financing related activities.

Separately issued financial statements can be obtained from the Scioto County Joint Vocational School District, P.O. Box 766, Lucasville, Ohio 45648.

The Educational Service Center participates in seven organizations, four of which are defined as jointly governed organizations, one as a public entity shared risk pool, one as an insurance purchasing pool, and one as a discretely presented component unit. These organizations are the South Central Ohio Computer Association, Pilasco-Ross Special Education Regional Resource Center, the Family and Children First Council of Scioto County, the Coalition of Rural and Appalachian Schools, the Scioto County Schools Council of Governments, the Ohio School Plan, and the Scioto County Joint Vocational School District. Information about these organizations is presented in Notes 15, 16, 17 and 22 to the general purpose financial statements.

The Educational Service Center serves as fiscal agent for the Family and Children First Council of Scioto County and the Scioto County Schools Council of Governments. Accordingly, the activity is presented as an agency fund within the Educational Service Center financial statements.

The information in Notes 2 through Note 21 relate to the primary government. Information relating to the discretely presented component unit is presented in Note 22.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Educational Service 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 Educational Service Center functions or activities.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**A. Basis of Presentation - Fund Accounting**

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 Educational Service Center are grouped into the following generic fund types under the broad fund categories of governmental and fiduciary.

*Governmental Fund Types:*

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

*General Fund* - The general fund is the operating fund of the Educational Service 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 Educational Service 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 major capital projects) that are legally restricted to expenditure for specified purposes.

*Capital Projects Funds* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Educational Service Center's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*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 Educational Service Center.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the Educational Service Center.

**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.

Basis of accounting refers to when revenues and expenditures 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 and agency 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 Educational Service Center, available means expected to be received within sixty days of year-end.

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



**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Under the modified accrual basis, only grants are considered to be both measurable and available at fiscal year-end.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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 governmental funds.

**C. Budgetary Process**

The Educational Service Center 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 Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised and accepted by the Board to include the actual beginning of the fiscal year fund balance. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant. All funds, other than the agency fund, are budgeted and appropriated.

In the first quarter of each fiscal year, the Educational Service 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 Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

*Appropriations:*

The annual appropriation resolution is enacted by the Governing Board of the Educational Service Center at the fund level of expenditures. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center. Budgetary controls require that the appropriation resolution, by fund, be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control established by the Board. Any revisions that alter the total of any fund appropriation must be approved by the Governing Board of the Educational Service Center.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Budgetary Process** (continued)

The Governing Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. During the year, one supplemental appropriation was enacted which was significant.

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.

*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 fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

*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 Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Educational Service Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2002, the Educational Service Center's investments included a repurchase agreement and State Treasury Assets Reserve of Ohio (STAROhio). Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Cash and Cash Equivalents** (continued)

Following Ohio statutes, the Educational Service Center has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$25,233, which includes \$22,815 assigned from other Educational Service Center funds.

For presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**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 Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service 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 over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are depreciated using the straight-line method over an estimated useful life of five to twenty years for furniture, fixtures and equipment.

**G. 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 Educational Service Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service 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 Educational Service Center's termination policy.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Compensated Absences** (continued)

The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Educational Service Center records a liability for accumulated unused sick leave for certified employees and support staff after 10 years of service.

For governmental funds, the current portion of 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 obligations account group.

**H. 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 contractually required 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 used current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

**J. Interfund Transactions**

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

**K. Pass-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the school districts within the county. When the Educational Service 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 the Ohio Reads and Help Me Grow Special Revenue Funds.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**L. Fund Balance Reserves**

The Educational Service 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 have been established for encumbrances.

**M. 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 may differ from those estimates.

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the Educational Service Center's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the Educational Service Center's discretely presented component unit (see Note 1). The "Totals" column on statements which do not include a component unit have no additional caption.

**NOTE 3 - ACCOUNTABILITY**

At June 30, 2002, the Cooperative Low Incidence and SIRI Summer Intervention Special Revenue Funds and the SchoolNet Capital Projects Fund had deficit fund balances of \$396,287, \$22,649, and \$60, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the Educational Service 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 Balance - Budget and Actual (Budget Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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.
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Excess of Revenues and Other Financing Sources  
Under Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	\$78,308	(\$297,608)	(\$6,421)
Adjustments:			
Revenue Accruals	31,852	193,582	0
Expenditure Accruals	(12,457)	(246,745)	60
Encumbrances	(21,160)	(357,541)	0
Advances	(231,883)	231,883	0
Budget Basis	(\$155,340)	(\$476,429)	(\$6,361)

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the Educational Service Center into three categories.

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

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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

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

Protection of the Educational Service Center's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all 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;
6. The State Treasurer's investment pool (STAROhio); and

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or 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 fiscal year end the carrying amount of the Educational Service Center's deposits was \$1,390,981 and the bank balance was \$1,785,677. Of the bank balance:

1. \$121,429 was covered by federal depository insurance; and
2. \$1,664,248 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

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



**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

	Category 3	Unclassified	Carrying/ Fair Value
Repurchase Agreements	\$3,916,945	\$0	\$3,916,945
STAROhio	0	120,788	120,788
Total	\$3,916,945	\$120,788	\$4,037,733

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

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/Deposits	Investments
GASB Statement No. 9	\$5,428,714	\$0
Investment:		
Repurchase Agreements	(3,916,945)	3,916,945
STAROhio	(120,788)	120,788
GASB Statement No. 3	\$1,390,981	\$4,037,733

**NOTE 6 - STATE FUNDING**

The Educational Service 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 local school districts to which the Educational Service Center provides services and by the State Department of Education. Each local school district's portion is determined by multiplying the average daily membership of the local school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that local school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the local school district's served by the Educational Service Center by \$40.52. This amount is provided from State resources.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 6 - STATE FUNDING** (continued)

If additional funding is needed for the Educational Service Center, and if a majority of the Boards of Education of the local school districts served by the Educational Service 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 Educational Service 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 local school districts approve or disapprove the additional apportionment.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, consisted of intergovernmental grants and interfund amounts. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Alternative School	\$16,200
SCITEL Participation Fees	10,836
Customer Services	66,229
Total General Fund	93,265
Special Revenue Funds:	
EHA Pre-School Grant	41,530
Title I-Comprehensive School Reform	14,560
Regional Facilitator Grant	64,355
Pre-School Handicapped	297,952
In School Work Study Program	63
Total Special Revenue Funds	418,460
Total All Funds	\$511,725

**NOTE 8 - FIXED ASSETS**

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

Asset Category	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Furniture, Fixtures and Equipment	\$476,866	\$31,663	\$0	\$508,529
Less: Accumulated Depreciation				(292,535)
Total General Fixed Assets				\$215,994

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 9 - RISK MANAGEMENT**

The Educational Service 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. During fiscal year 2002, the Educational Service Center contracted with Portsmouth Insurance for property and inland marine coverage. Insurance coverage includes the following:

Building and Contents replacement cost (\$250 deductible)	\$200,000
Inland Marine Coverage (\$250 deductible)	143,000
Crime Insurance	50,000

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP. (See Note 17)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

Excess Liability:	
Limit per occurrence/per offense/per accident	\$2,000,000
Aggregate Limit	2,000,000
Underlying Coverage:	
Educational General Liability:	
Each Occurrence Limit	1,000,000
General Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Employer's Liability Stop-Gap:	
Each Accident Limit	1,000,000
Per Disease - Each Employee Limit	1,000,000
Per Disease - Policy Limit	1,000,000
Employee Benefits Liability:	
Each Offense Limit	1,000,000
Aggregate Limit	3,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Injury Aggregate Limit	2,000,000
Defense Costs Cap	1,000,000
Automobile Liability:	
Each Accident Limit	1,000,000
Liability Hired - Non-Owned	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant increase in insurance coverage from last year due to the School District's enrollment in the Ohio School Plan which has allowed for greater coverage.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 9 - RISK MANAGEMENT** (continued)

The Educational Service Center pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Educational Service Center participates in and is fiscal agent for the Scioto County Schools Council of Governments (the "Council"), a public entity shared risk pool (Note 16), consisting of school districts within the County offering medical and dental insurance to their employees. Monthly premiums are paid to the Educational Service Center as fiscal agent, who in turns pays the claims on the member School District's behalf.

The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the Council shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. Such claims and expenses shall be paid from the funds of the Council.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System of Ohio (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 State statute per 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, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$48,324, \$37,128, and \$38,426, respectively: 99.31 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$334, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

**B. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides 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 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$213,041, \$265,966, and \$133,168, respectively; 99.11 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$1,897 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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 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 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 is included in the employer contribution rate, currently 14 percent of covered payroll.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$100,914 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 fiscal 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 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 Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$81,458.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Support staff earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified staff upon termination of employment through a written agreement with the Board. Teachers do not earn vacation time.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 12 - EMPLOYEE BENEFITS** (continued)

**A. Compensated Absences** (continued)

Teachers and support staff earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 55 days for all employees.

**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

**C. Deferred Compensation**

Educational Service Center employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency

**NOTE 13 - CAPITAL LEASES**

In prior years, the Educational Service Center has entered into capitalized leases for furniture, fixtures and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of furniture, fixtures and equipment have been capitalized in the general fixed assets account group in the amount of \$88,451. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 totaled \$18,460 in the governmental funds.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 13 - CAPITAL LEASES** (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTOAG
2003	\$30,372
2004	28,320
Total	58,692
Less: Amount Representing Interest	(11,796)
Present Value of Net Minimum Lease Payments	\$46,896

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 6/30/01	Additions	Deductions	Amount Outstanding 6/30/02
Pension Obligation	\$7,454	\$5,874	\$7,454	\$5,874
Capital Leases	65,356	0	18,460	46,896
Compensated Absences	369,599	59,363	0	428,962
Total General Long-Term Obligations	\$442,409	\$65,237	\$25,914	\$481,732

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

Capital leases will be paid from the General Fund and Title I Special Revenue Fund.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

*South Central Ohio Computer Association* - The Educational Service Center is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. 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. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The Educational Service Center paid SCOCA \$6,282 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.



***South Central Ohio Educational Service Center***  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or a financial responsibility for the Council. The Educational Service Center paid \$300 to the Coalition for services provided during the year.

*Family and Children First Council of Scioto County* - The Family and Children First Council of Scioto County is a jointly governed organization created under Ohio Revised Code Section 121.37. The Council is made up of the following members: the director of the Alcohol, Drug Addiction and Mental Health Services Board of Adams, Lawrence, and Scioto Counties; the director of the Scioto County Health Department; the director of the City of Portsmouth Health Department; the director of the Scioto County Department of Human Services; the executive director of the Scioto County Children Services; the superintendent of the Scioto County Board of Mental Retardation and Development Disabilities; the Scioto County juvenile court judge; the superintendent of the city, exempted village, or local school district with the largest number of pupils residing in the County; a school superintendent representing all other school districts in the County; a representative of the City of Portsmouth; the chair of the Scioto County commissioners; a representative of the regional office of the department of youth services; a representative of the Scioto County Head Start Program; a representative of the County's Early Intervention Collaborative established pursuant to the program; a representative of the federal early intervention program operated under the "Education of the Handicapped Act Amendments of 1988" and at least three individuals representing the interest of families in the County. The Educational Service Center made no contributions to the Council during fiscal year 2002. Continued existence of the council is not dependent on the Educational Service Center's continued participation, no equity interest exists, and no debt is outstanding. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and court Streets, Portsmouth, Ohio 45662.

*Pilasco-Ross Special Education Regional Resource Center* – The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing 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 composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrence, and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

The South Central Ohio Educational Service Center's superintendent is on the SERRC Board. The fiscal agent for the SERRC is Dawson-Bryant LSD. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

**NOTE 16 - PUBLIC ENTITY SHARED RISK POOL**

*Scioto County Schools Council of Governments* - The Educational Service Center is a member and fiscal agent of the Scioto County Schools Council of Governments, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the Educational Service Center to form the Scioto County Schools Council of Governments. The overall objectives of the council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The Educational Service Center pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the Educational Service Center's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

**NOTE 17 - INSURANCE PURCHASING POOL**

*Ohio School Plan* - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 18 – INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002, consist of the following individual interfund receivables and payables:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$231,883	\$0
Special Revenue Funds:		
Cooperative Low Incidence	0	175,488
Title I	0	19,234
EHA Pre-School Grant	0	37,161
Total Special Revenue Funds	0	231,883
Total All Funds	\$231,883	\$231,883

Operating Transfers In do not agree with the Operating Transfers Out due to a \$97 transfer from an Agency Fund to a Special Revenue Fund.

**NOTE 19 – STATE SCHOOL FUNDING DECISION**

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

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

**NOTE 20 – PRIOR PERIOD RESTATEMENT**

The Educational Service Center serves as the fiscal agent of the Family and Children First Council of Scioto County. In prior years, some of the activity of the Council was presented within the Special Revenue Funds of the Educational Service Center. During fiscal year 2002, it was determined that the activity would be more appropriately disclosed as an Agency Fund within the general purpose financial statements of the Educational Service Center. The reclassification of the activity of the Council from Special Revenue Funds to an Agency Fund reduced Special Revenue Fund assets by \$167,263, equity by \$75,187 and the beginning fund balance by \$6,310, and increased Agency Fund assets and liabilities by \$40,463. This change is reflected as of July 1, 2001.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 21 - CONTINGENCIES**

**A. Grants**

The Educational Service 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 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 Educational Service Center at June 30, 2002.

**B. Litigation**

The Educational Service Center is currently not party to any pending litigation.

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**

**A. Budgetary Process**

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 prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**B. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**C. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**C. Estimated Resources** (continued)

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

**D. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, this amendment was not significant.

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a capital maintenance reserve. This reserve is required by State statute.

**F. Cash**

***Cash on Hand*** At fiscal year end, the School District had \$160 in undeposited cash on hand which is included on the balance sheet of the School District as part of “equity in pooled cash and cash equivalents.”

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.*”

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**F. Cash** (continued)

**Deposits** At fiscal year end, the carrying amount of the School District's deposits was \$13,913 and the bank balance was \$198,963. Of the bank balance:

1. \$100,217 was covered by federal depository insurance; and
2. \$98,746 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District'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 School District'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 School District's name.

	Category 3	Carrying/ Fair Value
Repurchase Agreements	\$4,541,000	\$4,541,000

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$4,555,073	\$0
Cash on Hand	(160)	
Investment:		
Repurchase Agreements	(4,541,000)	4,541,000
GASB Statement No. 3	\$13,913	\$4,541,000

*South Central Ohio Educational Service Center*  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**G. Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002 on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**G. Property Taxes**(continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$537,689,870	76.73%	\$605,517,010	79.23%
Public Utility	82,986,140	11.84%	75,689,630	9.90%
Tangible Personal Property	80,147,510	11.43%	83,091,270	10.87%
Total Assessed Value	<u>\$700,823,520</u>	<u>100.00%</u>	<u>\$764,297,910</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$5.37		 \$5.37	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amounts available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$166,116 in the General Fund and \$60,414 in the Permanent Improvement Capital Projects Fund.

**H. - Receivables**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental grants, and interfund amounts. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.



**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**H. – Receivables** (continued)

A summary of the principal items of intergovernmental receivables follows:

	Amounts
Special Revenue Funds:	
21st Century Grant	\$9,968,469
Carl Perkins	366,831
Title VI	2,695
Total Intergovernmental Receivable	\$10,337,995

**I. – Fixed Assets**

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$433,582
Less Accumulate Depreciation	(266,971)
Net Fixed Assets	\$166,611

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

Asset Category	Balance at 6/30/01	Additions	Deductions	Balance at 6/30/02
Land and Improvements	\$567,834	\$0	\$0	\$567,834
Buildings and Improvements	3,838,661	0	0	3,838,661
Furniture, Fixtures and Equipment	2,156,533	148,542	0	2,305,075
Textbooks	292,612	0	0	292,612
Assets held under Capital Lease	270,865	0	0	270,865
Vehicles	48,161	14,000	0	62,161
Totals	\$7,174,666	\$162,542	\$0	\$7,337,208

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

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**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**J. - Risk Management**

The School District 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. During fiscal year 2002, the School District contracted with Nationwide Mutual Insurance Company for property and fleet insurance and liability insurance. Insurance coverage is provided as follows:

Building and Contents replacement cost (\$25,000 deductible)	\$16,890,141
Boiler and Machinery (\$25,000 deductible)	No limit
Automobile Liability (\$100 deductible)	100,000
General Liability:	
Per occurrence	2,000,000
Total per year	5,000,000

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

**K. Defined Benefit Pension Plan**

**1. School Employees Retirement System**

The School District's contributions to SERS for the fiscal years ending June 30, 2002, 2001, and 2000 were \$52,443, \$60,197, and \$85,944, respectively. 12 percent has been contributed for fiscal year 2002, and 100 percent for the fiscal years 2001 and 2000. \$44,427, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**2. State Teachers Retirement System**

The School District's contribution for pension obligations to STRS for the fiscal years ending June 30, 2002, 2001, and 2000 were \$404,053, \$377,943, and \$145,157, respectively, 84 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$39,903, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**L. Postemployment Benefits**

For fiscal year 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$201,830 during fiscal year 2002.

For the School District, the amounts contributed to fund postemployment healthcare benefits under SERS, including the surcharge, during fiscal year 2002 equaled \$1,097,601.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**M. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Teachers do not earn vacation time. 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 150 days for all personnel. Upon retirement, payment is made for thirty percent of accrued, but unused sick leave credit to a maximum of 45 days for classified employees and 45 days for certified employees.

**N. Other Employee Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource.

**O. Long-Term Obligations**

*Scioto County JVS Energy Conservation Loan* - On December 1, 1995, the School District issued \$1,200,000 in unvoted general obligation notes for the purpose of providing energy conservation measures, under the authority of Ohio Revised Code sections 133.06(G) and 3313.372. The notes were issued for a eight year period with final maturity during fiscal year 2003. The debt will be retired from property taxes.

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

	Amount Outstanding <u>6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	Amount Outstanding <u>6/30/02</u>
<u>Long-Term Loans:</u>				
1994 Energy Conservation Loan, 6.20%	\$390,000	\$0	\$130,000	\$260,000
<u>General Long-Term Obligations:</u>				
Pension Obligation	108,198	119,612	108,198	119,612
Capital Leases	74,810	0	62,253	12,557
Compensated Absences	302,695	12,919	0	315,614
Total Long-Term Obligations	<u>\$875,703</u>	<u>\$132,531</u>	<u>\$300,451</u>	<u>\$707,783</u>

The School District's voted legal debt margin was \$68,526,812 with an unvoted debt margin of \$764,298 at June 30, 2002.

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**O. Long-Term Obligations** (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$130,000	\$12,090	\$142,090
2004	130,000	4,030	134,030
Total	<u>\$260,000</u>	<u>\$16,120</u>	<u>\$276,120</u>

Debt outstanding on June 30, 2002 consisted of the following:

Date of Issue	Interest Rate	Maturity Date	Balance 07/01/01	Additions	Deletions	Balance 06/30/02
07/07/99	5.59%	10/01/04	<u>\$1,120,000</u>	<u>\$0</u>	<u>\$280,000</u>	<u>\$840,000</u>

Outstanding Tax Anticipation Notes were issued for school building improvements. Tax Anticipation Notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the School District.

A summary of the School District's future amortization of debt funding requirements as of June 30, 2002, follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$280,000	\$39,130	\$319,130
2004	280,000	23,478	303,478
2005	280,000	7,826	287,826
Total	<u>\$840,000</u>	<u>\$70,434</u>	<u>\$910,434</u>

**South Central Ohio Educational Service Center**  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2002

**NOTE 22 – COMPONENT UNIT – SCIOTO COUNTY JOINT VOCATIONAL SCHOOL**  
(continued)

**P. Segment Information For Enterprise Funds**

The School District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$67,063	\$963,844	\$1,030,907
Operating Expenses			
less Depreciation	182,429	1,524,426	1,706,855
Depreciation Expense	6,679	31,693	38,372
Operating (Loss)	(122,063)	(592,257)	(714,320)
Donated Commodities	12,193	0	12,193
Operating Grants	24,171	597,846	622,017
Operating Transfers-Net	75,717	0	75,717
Net Income (Loss)	(9,662)	5,589	(4,073)
Net Working Capital	(17,628)	629,422	611,794
Total Assets	81,760	870,860	952,620
Total Equity	48,797	729,608	778,405
Encumbrances 2002	0	19,724	19,724

**Q. Set-aside Calculations and Reserves**

The following information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Total</u>
Cash Balance as of June 30, 2001	\$0	\$201,819	\$201,819
Current Year Set-aside Requirement	70,666	70,666	141,332
Offset Credits and Prior Year Carryover	(341,847)	0	(341,847)
Qualifying Expenditures	(452,488)	0	(452,488)
Balance Carried Forward to FY 2002	<u>(\$723,669)</u>	<u>\$272,485</u>	<u>(\$451,184)</u>
Set-aside Reserve Cash Balance as of June 30, 2002	<u>\$0</u>	<u>\$272,485</u>	<u>\$272,485</u>

The School District had offset and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks Reserve. These extra amounts may be carried forward and used to reduce the set-aside requirements of future years.

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**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. Department of Education</b>				
<i>Passed through Ohio Department of Education:</i>				
Grants To Local Educational Agencies (ESEA Title I)	C1-S1 01/02	84.010	\$ 154,530	\$ 181,948
Title I - Tech Equity	RFS3 01	84.332	6,240	-
Special Education Pre-School	PGS1-2002P	84.173	17,798	62,304
Goals 2000	G2-S1 01/02	84.276	<u>31,830</u>	<u>6,654</u>
Total U.S. Department of Education			210,398	250,906
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through Ohio Department of MRDD</i>				
Medical Assistance Program - CAFS	N/A	93.778	<u>111,415</u>	<u>111,415</u>
Total U.S. Department of Health and Human Services			<u>111,415</u>	<u>111,415</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 321,813</u></b>	<b><u>\$ 362,321</u></b>

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

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

**NOTE A - BASIS OF ACCOUNTING**

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

**NOTE B – MATCHING REQUIREMENTS**

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





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

South Central Ohio Educational Service Center  
Scioto County  
411 Court Street, Room 105  
Portsmouth, Ohio 45662

To The Board of Education:

We have audited the accompanying general-purpose financial statements of the South Central Ohio Educational Service Center, Scioto County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2002, and have issued our report thereon dated December 18, 2002. We did not audit the financial statements of the Scioto County Joint Vocational School, the Educational Service Center's discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts discretely presented for the Scioto County Joint Vocational School is based upon the report of other auditors. We conducted our audit in accordance with the 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 Educational Service 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 Educational Service 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 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 Educational Service Center in a separate letter dated December 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 18, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

South Central Ohio Educational Service Center  
Scioto County  
411 Court Street, Room 105  
Portsmouth, Ohio 45662

To the Board of Education:

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated December 18, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 18, 2002

**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Was there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Was there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I - CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

This audit of the South Central Ohio Educational Service Center, Scioto County, for the fiscal year ended June 30, 2002 contained no findings that are required to be reported in accordance with GAGAS.

**3. FINDINGS FOR FEDERAL AWARDS**

This audit of the South Central Ohio Educational Service Center, Scioto County, for the fiscal year ended June 30, 2002 contained no findings for federal awards.

**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER  
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315 (b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <b><i>Explain:</i></b>
2001-10773-001	Financial Accounting System budget amounts did not match the originally approved budget	Yes	Corrected by New Treasurer.
2001-10773-002	Ohio Rev. Code § 5705.41(D) – Then and Now Certification	Yes	Corrected by New Treasurer
2001-10773-003	Title I final expenditure report filed late.	Yes	Corrected by New Treasurer



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**SOUTH CENTRAL OHIO EDUCATIONAL SERVICE CENTER**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2003**