



**WARREN COUNTY EDUCATIONAL SERVICE CENTER
WARREN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WARREN COUNTY EDUCATIONAL SERVICE CENTER
WARREN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Warren County Educational Service Center
Warren County
416 S. East Street
Lebanon, Ohio 45036

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Warren County Educational Service Center, Warren County, Ohio, (the District) as of and for the fiscal year ended June 30, 2000. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Warren County Educational Service Center, Warren County, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2000, on our consideration of the District'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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

October 30, 2000

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**Warren County Educational Service Center
Warren County
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,818,684	\$711,834	\$23,066
Receivables:			
Accounts	0	515	0
Intergovernmental	28,830	605	0
Interfund Receivable	20,000	0	0
Prepaid Items	2,930	715	0
Fixed Assets	0	0	0
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$1,870,444	\$713,669	\$23,066
<u>Liabilities:</u>			
<u>Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$11,062	\$360	\$0
Accrued Wages and Benefits	117,890	54,011	0
Compensated Absences Payable	22,329	634	0
Interfund Payable	0	20,000	0
Intergovernmental Payable	9,159	1,901	0
Total Liabilities	160,440	76,906	0
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	86,289	241,474	22,672
Unreserved:			
Undesignated	1,623,715	395,289	394
Total Fund Equity and Other Credits	1,710,004	636,763	23,066
Total Liabilities, Fund Equity and Other Credits	\$1,870,444	\$713,669	\$23,066

See accompanying notes to the general-purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$13,498	\$0	\$0	\$2,567,082
0	0	0	515
0	0	0	29,435
0	0	0	20,000
0	0	0	3,645
0	349,444	0	349,444
0	0	355,028	355,028
<u>\$13,498</u>	<u>\$349,444</u>	<u>\$355,028</u>	<u>\$3,325,149</u>
\$0	\$0	\$0	\$11,422
0	0	0	171,901
0	0	351,771	374,734
0	0	0	20,000
0	0	3,257	14,317
0	0	355,028	592,374
0	349,444	0	349,444
0	0	0	350,435
13,498	0	0	2,032,896
13,498	349,444	0	2,732,775
<u>\$13,498</u>	<u>\$349,444</u>	<u>\$355,028</u>	<u>\$3,325,149</u>

Warren County Educational Service Center
Warren County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<u>Revenues:</u>					
Intergovernmental	\$1,740,514	\$591,125	\$0	\$0	\$2,331,639
Interest	132,310	0	1,587	0	133,897
Tuition and Fees	146,099	606,408	0	0	752,507
Gifts and Donations	0	10,642	5,000	12,500	28,142
Customer Services	1,571,178	31,784	0	0	1,602,962
Miscellaneous	6,242	0	200	0	6,442
Total Revenues	<u>3,596,343</u>	<u>1,239,959</u>	<u>6,787</u>	<u>12,500</u>	<u>4,855,589</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	175,635	533,424	0	0	709,059
Special	18,076	26,910	0	0	44,986
Support Services:					
Pupils	667,267	45,066	0	0	712,333
Instructional Staff	68,333	242,347	0	0	310,680
Board of Education	18,049	0	0	0	18,049
Administration	1,774,114	3,103	0	0	1,777,217
Fiscal	166,522	1,705	0	0	168,227
Business	8,107	0	0	0	8,107
Operation and Maintenance of Plant	6,766	0	0	0	6,766
Pupil Transportation	0	126,809	0	0	126,809
Central	364,499	0	0	0	364,499
Non-Instructional Services	0	0	0	4,800	4,800
Extracurricular Activities	36	0	0	0	36
Capital Outlay	0	0	10,670	0	10,670
Total Expenditures	<u>3,267,404</u>	<u>979,364</u>	<u>10,670</u>	<u>4,800</u>	<u>4,262,238</u>
Excess of Revenues Over (Under) Expenditures	328,939	260,595	(3,883)	7,700	593,351
<u>Other Financing Sources:</u>					
Proceeds from Sale of Fixed Assets	<u>800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>800</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	329,739	260,595	(3,883)	7,700	594,151
Fund Balances at Beginning of Year	<u>1,380,265</u>	<u>376,168</u>	<u>26,949</u>	<u>5,798</u>	<u>1,789,180</u>
Fund Balances at End of Year	<u>\$1,710,004</u>	<u>\$636,763</u>	<u>\$23,066</u>	<u>\$13,498</u>	<u>\$2,383,331</u>

See accompanying notes to the general-purpose financial statements

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Warren County Educational Service Center
Warren County
Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Intergovernmental	\$1,574,866	\$1,740,514	\$165,648	\$436,700	\$553,476	\$116,776
Interest	125,000	128,280	3,280	0	0	0
Tuition and Fees	155,791	146,099	(9,692)	541,332	621,258	79,926
Gifts and Donations	0	0	0	5,642	10,642	5,000
Customer Services	1,603,151	1,601,939	(1,212)	37,410	32,610	(4,800)
Miscellaneous	39,000	24,638	(14,362)	0	14,000	14,000
Total Revenues	3,497,808	3,641,470	143,662	1,021,084	1,231,986	210,902
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	240,173	186,167	54,006	781,596	584,241	197,355
Special	25,000	18,076	6,924	36,432	36,432	0
Support Services:						
Pupils	724,374	664,424	59,950	62,325	62,325	0
Instructional Staff	107,676	73,134	34,542	355,478	346,505	8,973
Board of Education	39,344	19,680	19,664	0	0	0
Administration	3,006,649	1,839,605	1,167,044	3,573	3,573	0
Fiscal	238,471	167,020	71,451	8,464	8,464	0
Business	13,724	8,917	4,807	0	0	0
Operation and Maintenance of Plant	17,965	8,400	9,565	0	0	0
Pupil Transportation	0	0	0	194,231	182,337	11,894
Central	415,698	400,881	14,817	0	0	0
Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	9,830	9,696	134	0	0	0
Capital Outlay	0	0	0	0	0	0
Total Expenditures	4,838,904	3,396,000	1,442,904	1,442,099	1,223,877	218,222
Excess of Revenues Over (Under) Expenditures	(1,341,096)	245,470	1,586,566	(421,015)	8,109	429,124
<u>Other Financing Sources (Uses):</u>						
Proceeds from the Sale of Fixed Assets	0	800	800	0	0	0
Refund of Prior Year Expenditures	0	150	150	0	0	0
Other Financing Sources	0	0	0	45,755	45,758	3
Refund of Prior Year Receipts	(372,000)	(371,828)	172	(7,256)	(7,256)	0
Advances In	0	0	0	0	20,000	20,000
Advances Out	(109,448)	(20,000)	89,448	0	0	0
Operating Transfers In	0	0	0	7,093	0	(7,093)
Other Financing Uses	(28,170)	0	28,170	(27,598)	0	27,598
Total Other Financing Sources (Uses)	(509,618)	(390,878)	118,740	17,994	58,502	40,508
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,850,714)	(145,408)	1,705,306	(403,021)	66,611	469,632
Fund Balances at Beginning of Year	1,677,370	1,677,370	0	241,131	241,131	0
Prior Year Encumbrances Appropriated	173,344	173,344	0	161,890	161,890	0
Fund Balances at End of Year	\$0	\$1,705,306	\$1,705,306	\$0	\$469,632	\$469,632

See accompanying notes to the general-purpose financial statements

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$2,011,566	\$2,293,990	\$282,424
1,500	1,573	73	0	0	0	126,500	129,853	3,353
0	0	0	0	0	0	697,123	767,357	70,234
5,000	5,000	0	12,500	12,500	0	23,142	28,142	5,000
0	0	0	0	0	0	1,640,561	1,634,549	(6,012)
0	0	0	0	0	0	39,000	38,638	(362)
<u>6,500</u>	<u>6,573</u>	<u>73</u>	<u>12,500</u>	<u>12,500</u>	<u>0</u>	<u>4,537,892</u>	<u>4,892,529</u>	<u>354,637</u>
0	0	0	0	0	0	1,021,769	770,408	251,361
0	0	0	0	0	0	61,432	54,508	6,924
0	0	0	0	0	0	786,699	726,749	59,950
0	0	0	0	0	0	463,154	419,639	43,515
0	0	0	0	0	0	39,344	19,680	19,664
0	0	0	0	0	0	3,010,222	1,843,178	1,167,044
0	0	0	0	0	0	246,935	175,484	71,451
0	0	0	0	0	0	13,724	8,917	4,807
0	0	0	0	0	0	17,965	8,400	9,565
0	0	0	0	0	0	194,231	182,337	11,894
0	0	0	0	0	0	415,698	400,881	14,817
0	0	0	18,298	4,800	13,498	18,298	4,800	13,498
0	0	0	0	0	0	9,830	9,696	134
<u>33,343</u>	<u>33,343</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,343</u>	<u>33,343</u>	<u>0</u>
<u>33,343</u>	<u>33,343</u>	<u>0</u>	<u>18,298</u>	<u>4,800</u>	<u>13,498</u>	<u>6,332,644</u>	<u>4,658,020</u>	<u>1,674,624</u>
<u>(26,843)</u>	<u>(26,770)</u>	<u>73</u>	<u>(5,798)</u>	<u>7,700</u>	<u>13,498</u>	<u>(1,794,752)</u>	<u>234,509</u>	<u>2,029,261</u>
0	0	0	0	0	0	0	800	800
0	200	200	0	0	0	0	350	350
0	0	0	0	0	0	45,755	45,758	3
0	0	0	0	0	0	(379,256)	(379,084)	172
0	0	0	0	0	0	0	20,000	20,000
0	0	0	0	0	0	(109,448)	(20,000)	89,448
0	0	0	0	0	0	7,093	0	(7,093)
0	0	0	0	0	0	(55,768)	0	55,768
<u>0</u>	<u>200</u>	<u>200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(491,624)</u>	<u>(332,176)</u>	<u>159,448</u>
(26,843)	(26,570)	273	(5,798)	7,700	13,498	(2,286,376)	(97,667)	2,188,709
9,230	9,230	0	5,798	5,798	0	1,933,529	1,933,529	0
<u>17,613</u>	<u>17,613</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>352,847</u>	<u>352,847</u>	<u>0</u>
<u>\$0</u>	<u>\$273</u>	<u>\$273</u>	<u>\$0</u>	<u>\$13,498</u>	<u>\$13,498</u>	<u>\$0</u>	<u>\$2,188,709</u>	<u>\$2,188,709</u>

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Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

The Warren County Educational Service Center (the “Educational Service Center”) is located in Lebanon, Ohio, the County Seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Carlisle, Kings, Little Miami and Wayne Local School Districts, as well as the Springboro, Lebanon, Franklin and Middletown City School Districts. Other school districts outside Warren County are served on an individual contract basis for various services. 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 Warren County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The Educational Service Center is staffed by 38 certified and 34 non-certified personnel that provide services to the local and city school districts.

Reporting Entity

A reporting entity is composed 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 Warren County Educational Service Center, this includes general operations and student-related 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 organization’s governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally 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 Educational Service Center is associated with three organizations. Two are jointly governed organizations, and one is an insurance purchasing pool. These organizations are the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Cooperative (SOEPC), and the Southwestern Ohio Educational Purchasing Cooperative Workers’ Compensation Group Rating Plan. Information about these organizations is presented in Note 12 and Note 13 to the general-purpose financial statements.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Educational Service Center's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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.

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 regulations, 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 expendable available 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 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 expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 only fiduciary fund type of the Educational Service Center is:

Expendable Trust Fund - The Expendable Trust Fund accounts for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. The expendable trust fund is accounted for in essentially the same manner as governmental funds.

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 and the expendable trust fund 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.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The modified accrual basis of accounting is followed for the governmental and expendable trust funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Educational Service Center is thirty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: accounts and grants.

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. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

C. Budgetary Process

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

The Educational Service Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the 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 any unencumbered cash balances from the preceding year. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

In the first quarter of each fiscal year, the 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 Board of Education. Part (B) includes anticipated revenue by sources 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.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

The annual appropriation resolution is legally enacted by the Governing Board of the Educational Service Center at the fund level of expenditures, which is the legal level of budgetary control. 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. The appropriation resolution, by fund, must be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Governing Board of the Educational Service Center.

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. During the year, several supplemental appropriations were legally enacted, some of which were 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 by the Governing Board, during the year for all funds at the object level, consistent with statutory provisions.

Encumbrances:

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

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 in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2000, investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$132,310, which includes \$38,482 assigned from other Educational Service Center funds. The capital projects fund also received interest revenue of \$1,587.

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity 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, 2000, are recorded as prepaid items by 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 zero 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 not depreciated.

G. Intergovernmental Revenues

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

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Fund

Instructional Media Center

Pre-Service School Bus Driver Training and CDL Program

Educational Management Information System

Entry-Year Program

SchoolNet Professional Development Grant

Preventive Health Grant

Goals 2000

Alternative Education Opportunity Grant

Alternative School Challenge Grant

ODE/BCII Scanning Equipment Grant

Child Abuse Prevention Grant

Grants and entitlements amounted to approximately 48 percent of the Educational Service Center's operating revenue during the 2000 fiscal year.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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.

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 twenty years of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and 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 thirty days after year-end are considered not to have used current available financial resources.

K. Estimates

The preparation of 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.

L. Short-Term Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables" on the balance sheet.

M. 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.

Warren County Educational Service Center
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Notes to the General-Purpose Financial Statements
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NOTE 3 - 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 Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.
4. Expenditure reclassification is a result of an overpayment from the State Foundation Program recorded as an expenditure when paid in cash (budget basis), but was a balance sheet transaction (GAAP-basis).
5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP - basis).

Warren County Educational Service Center
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Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (continued)

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
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$329,739	\$260,595	(\$3,883)	\$7,700
Adjustments:				
Revenue Accruals	45,277	37,785	(14)	0
Expenditure Accruals	(28,525)	(9,567)	0	0
Reclassification	(371,828)	0	0	0
Encumbrances	(100,071)	(242,202)	(22,673)	0
Advances	(20,000)	20,000	0	0
Budget Basis	<u>(\$145,408)</u>	<u>\$66,611</u>	<u>(\$26,570)</u>	<u>\$7,700</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statues 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.

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

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

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 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; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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 \$50,606 and the bank balance was \$103,458. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,458 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 Federal Deposit Insurance Corporation.

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 fiscal 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 for which the securities 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 STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified because they are not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	<u>\$2,516,476</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classification 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:

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
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NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,567,082	\$0
Investments:		
STAR Ohio	(2,516,476)	2,516,476
GASB Statement No. 3	\$50,606	\$2,516,476

NOTE 5 - RECEIVABLES

Receivables at June 30, 2000, consisted of accounts, interfund and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
<u>General Fund:</u>	
Drivers Education	\$850
Media Center	4,636
OT/PT	2,845
Training Programs	6,730
MRDD	13,769
Total General Fund	28,830
 <u>Special Revenue Fund:</u>	
<u>School Bus Driver Training Program</u>	
Pre-Service Classroom Workshop	245
CDL Testing	360
Total Special Revenue Fund	605
TOTAL	\$29,435

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 6 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

	Balance June 30, 1999	Additions	Deletions	Balance June 30, 2000
Furniture and Equipment	\$253,895	\$54,849	\$6,380	\$302,364
Vehicles	43,580	3,500	0	47,080
Total	<u>\$297,475</u>	<u>\$58,349</u>	<u>\$6,380</u>	<u>\$349,444</u>

NOTE 7 - 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 2000, the Educational Service Center contracted with Nationwide Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Property is protected by Indiana Insurance and holds a \$500 deductible. The Educational Service Center's driver education vehicles are covered by the Motorist Mutual Insurance and holds a \$250 deductible.

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

For fiscal year 2000, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Warren County Educational Service Center
Warren County
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For the Fiscal Year Ended June 30, 2000

NOTE 8 - 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North 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 Educational Service Center 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 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2000, 1999, and 1998 were \$52,179, \$65,746, and \$60,434, respectively, equal to the required contributions for each fiscal year.

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, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 6 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, 2000, 1999, and 1998 were \$108,541, \$179,531, and \$160,620, respectively, equal to the required contributions for each fiscal year.

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
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NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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, 2000 all but one member of the Governing Board have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9 - 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. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$144,721 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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.

Warren County Educational Service Center
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NOTE 9 - POSTEMPLOYMENT BENEFITS (continued)

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, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, 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 2000 fiscal year equaled \$83,896.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999, (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from Board Policy and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. They may also earn vacation bonus days as specified in Board Policy. Vacation days may not be carried over. Employees hired prior to July 1, 1997, who have accumulated vacation days in accordance with the previous Board Policy, will have until July 1, 2003, to use their accumulated vacation days. Effective July 1, 2003, the current policy will prevail for these employees. Effective July 1, 2000, employees will be allowed to carryover only ten days if they are twelve-month employees and five days if they are eleven-month employees. New employees hired after July 1, 1997, are not entitled to vacation bonus days. All full-time certificated and classified employees are entitled to three days personal leave per year, which does not accumulate from one year to the next. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Eleven and twelve month certified staff earn three weeks and four weeks respectively. They may also earn vacation bonus days as specified in Board Policy.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days. Upon retirement, payment is made for 30 percent of the first 200 days of total sick leave accumulation (which is a maximum of 60 days). Compensated absences totaled \$374,734 for the Educational Service Center at June 30, 2000.

Warren County Educational Service Center
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Notes to the General-Purpose Financial Statements
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NOTE 10 - EMPLOYEE BENEFITS (continued)

B. Health Care Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to full-time employees and other employees per Board policy through CoreSource, Inc./ Great American Life Insurance Company.

The Educational Service Center has elected to provide employee health insurance benefits through Anthem Blue Cross and Blue Shield Insurance Company. The employees share the cost of the monthly premium with the Board.

The Educational Service Center also offers universal life insurance and /or disability insurance or tuition reimbursement if eligible employees choose these benefits instead of health insurance. Universal life insurance is offered through Midland Life Insurance Company and disability insurance is offered through Lincoln National Life Insurance Company. Tuition reimbursement is made directly to the employee per Board Policy.

The Educational Service Center provides dental insurance to full-time employees through CoreSource, Inc.

NOTE 11 - LONG-TERM OBLIGATIONS

The change in the District's long-term obligations during the fiscal year 2000 were as follows:

	Balance 6/30/99	Additions	Deductions	Balance 6/30/00
Compensated Absences	\$330,093	\$21,678	\$0	\$351,771
Intergovernmental Payable	6,326	3,257	6,326	3,257
Total Long-Term Obligations	<u>\$336,419</u>	<u>\$24,935</u>	<u>\$6,326</u>	<u>\$355,028</u>

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

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NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association

The Educational Service Center is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public schools and educational service centers within the boundaries of Butler, Preble, and Warren Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts. The governing board of SWOCA consists of the superintendent (or the superintendent's designee) from each member district. The Educational Service Center paid SWOCA \$6,000 for services provided during the year. Financial information can be obtained from the fiscal agent, Butler County JVS, 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) is a purchasing cooperative made up of nearly 100 school districts and educational service centers in 12 counties. The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain reduced prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal for the group. During this time, the withdrawing member is liable for all member obligations. During fiscal year 2000, the Educational Service Center paid \$300 to SOEPC to be a member. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

NOTE 13 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Program (WCGRP) was established through the Southwestern Ohio Educational Purchasing Cooperative (SOEPC) as an insurance purchasing pool.

Warren County Educational Service Center
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Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 13 - INSURANCE PURCHASING POOL (continued)

The WCGRP's business and affairs are conducted by a Board of Directors. The Executive Director of the SOEPC, or his designee, serves as coordinator of the program. Each year, the participating school Educational Service Centers pay an enrollment fee to the WCGRP to cover the costs of administering the program.

NOTE 14 - 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 both State and local resources.

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of average daily memberships of all of the school districts served by the Educational Service Center by \$36. This amount is provided from State resources.

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

NOTE 15 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$1,740,514 of school foundation support for its general fund.

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Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 15 - SCHOOL FUNDING (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivable	Payable
<i>General Fund</i>	\$20,000	\$0
<i>Special Revenue Fund:</i>		
Alternative School	0	20,000
Total All Funds	\$20,000	\$20,000

Warren County Educational Service Center
Warren County
Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

NOTE 17 - 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 of 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, 2000.

B. Litigation:

The Educational Service Center is not currently party to any legal proceedings.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Warren County Educational Service Center
Warren County
416 S. East Street
Lebanon, Ohio 45036

To the Board of Education:

We have audited the financial statements of the Warren County Educational Service Center, Warren County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated October 30, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted other immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated October 30, 2000.

Internal Control Over Financial Reporting

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

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

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

Jim Petro
Auditor of State

October 30, 2000



STATE OF OHIO
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WARREN COUNTY EDUCATIONAL SERVICE CENTER

WARREN 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
NOVEMBER 28, 2000**