



MID-OHIO EDUCATIONAL SERVICE CENTER

RICHLAND COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Mid-Ohio Educational Service Center
Richland County
1495 Longview Ave., STE. 202
Mansfield, Ohio 44906

To the Board of Governors:

We have audited the accompanying general purpose financial statements of the Mid-Ohio Educational Service Center, Richland County, Ohio, (the ESC) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the ESC's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 ESC as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the general purpose financial statements, the ESC changed its method of accounting and reporting for a deferred compensation plan for the year ended June 30, 1999, as required by Governmental Accounting Standards Board Statement No. 32.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2000, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, 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", is written over a circular stamp or seal that is partially obscured by the signature.

Jim Petro
Auditor of State

January 3, 2000

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency	General	Long-Term Obligations	Fixed Assets	General		
		\$	\$	\$						\$	
ASSETS AND OTHER DEBITS											
ASSETS:											
Equity in pooled cash and cash equivalents	\$1,925,071	\$1,397,789	\$30	\$215,708	\$230,827						\$3,769,425
Receivables (net of allowances of uncollectibles):											
Accounts	2,619,564										2,619,564
Accrued interest	203										203
Interfund loan receivable	26,562										26,562
Due from other governments	39,484	64,870			2,130						106,484
Prepayments	14,664										14,664
Materials and supplies inventory											0
Property, plant and equipment (net of accumulated depreciation where applicable)	17,382							\$710,403			710,403
OTHER DEBITS:											
Amount to be provided for retirement of General Long-Term Obligations									\$288,480		288,480
Total assets and other debits	<u>\$4,642,930</u>	<u>\$1,462,659</u>	<u>\$30</u>	<u>\$215,708</u>	<u>\$232,957</u>			<u>\$710,403</u>	<u>\$288,480</u>		<u>\$7,553,167</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types		Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations			
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$6,749	\$1,901		\$500						\$9,150
Accrued wages and benefits	355,663	4,177		80						359,920
Compensated absences payable	102,280			914			\$176,000			279,194
Pension obligation payable.							7,608			7,608
Interfund loan payable		24,432			\$2,130					26,562
Deferred revenue	1,700,603	2,000		39,475						1,742,078
Due to other governments					207,326					207,326
Claims payable				15,832						15,832
Incurred but not reported claims				41,841						41,841
Obligation under capital lease							104,872			104,872
Total liabilities.	2,165,295	32,510		98,642	209,456		288,480			2,794,383
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets						\$710,403				710,403
Retained earnings: unreserved				117,066						117,066
Fund balances:										
Reserved for encumbrances.	939	8,469								9,408
Reserved for supplies inventory.	17,382									17,382
Reserved for prepayments.	14,664									14,664
Unreserved-undesignated.	2,444,650	1,421,680	\$30		23,501					3,889,861
Total equity and other credits	2,477,635	1,430,149	30	117,066	23,501	710,403				4,758,784
Total liabilities, equity and other credits	\$4,642,930	\$1,462,659	\$30	\$215,708	\$232,957	\$710,403	\$288,480			\$7,553,167

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expensible Trust	
Revenues:					
From local sources:					
Tuition	\$9,138				\$9,138
Earnings on investments	226,867				226,867
Other local revenues	2,372,754	\$113,474		\$13,818	2,500,046
Other revenue		63,239			63,239
Intergovernmental - State	4,237,649	1,118,570			5,356,219
Intergovernmental - Federal	58,726	670,661			729,387
Total revenue	6,905,134	1,965,944		13,818	8,884,896
Expenditures:					
Current:					
Instruction:					
Regular	18,658	27,612			46,270
Special	1,226,353	24,576			1,250,929
Other		44,004			44,004
Support services:					
Pupil	1,243,740	107,527			1,351,267
Instructional staff	2,031,193	1,055,003		2,525	3,088,721
Board of Education	22,186				22,186
Administration	687,091	1,415			688,506
Fiscal	193,362	67,647			261,009
Business	166,482	942			167,424
Operations and maintenance	11,858	53,294			65,152
Central	36,530	69,200			105,730
Community services	7,173	135		4,156	11,464
Capital outlay	44,374				44,374
Intergovernmental pass-through		318,766			318,766
Debt service:					
Interest and fiscal charges	10,006				10,006
Total expenditures	5,743,897	1,770,121		6,681	7,520,699
Excess of revenues over expenditures	1,161,237	195,823		7,137	1,364,197
Other financing sources:					
Proceeds of capital lease	39,974				39,974
Excess of revenues and other financing sources over expenditures.	1,201,211	195,823	0	7,137	1,404,171
Fund balance, July 1	1,279,405	1,234,326	\$30	16,364	2,530,125
Decrease in reserve for inventory	(2,981)				(2,981)
Fund balance, June 30	\$2,477,635	\$1,430,149	\$30	\$23,501	\$3,931,315

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	General Fund		Special Revenue		Capital Projects		Total (Memorandum only)		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	Revised Budget	Actual	Budget Revised	Actual	Budget Revised	Actual	
	Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		Variance: Favorable (Unfavorable)		
Revenues:									
From local sources:									
Tuition.....	\$9,684	\$9,138					\$9,684	\$9,138	(\$546)
Earnings on investments.....	227,692	227,692					227,692	227,692	0
Other local revenues.....	1,746,118	1,436,986	\$13,559	\$12,577			1,759,677	1,449,563	(310,114)
Other revenue.....			83,864	83,864			83,864	83,864	0
Intergovernmental - State.....	4,271,445	4,287,198	15,753	1,196,120	(22,059)	\$122,808	5,612,432	5,606,126	(6,306)
Intergovernmental - Federal.....	55,305	54,180	(1,125)	637,620	(113,616)		806,541	691,800	(114,741)
Total revenues.....	6,310,244	6,015,194	2,066,838	1,930,181	(136,657)	122,808	8,499,890	8,068,183	(431,707)
Expenditures:									
Current:									
Instruction:									
Regular.....	15,681	14,474	27,642	27,612	30		43,323	42,086	1,237
Special.....	1,402,500	1,219,142	28,939	25,150	3,789		1,431,439	1,244,292	187,147
Other.....			235,216	44,219	208,997		235,216	44,219	208,997
Support services:									
Pupil.....	1,505,335	1,240,101	123,612	108,167	15,445		1,628,947	1,348,268	280,679
Instructional staff.....	2,462,021	1,982,242	2,354,513	1,144,330	1,210,183		5,026,001	3,327,285	1,698,716
Board of Education.....	41,820	21,775					41,820	21,775	20,045
Administration.....	792,054	680,303	1,415	1,415	0		793,469	681,718	111,751
Fiscal.....	216,374	183,656	73,728	70,646	3,082	6,499	296,601	260,801	35,800
Business.....	246,486	201,575	5,000	942	4,058		251,486	202,517	48,969
Operations and maintenance.....	24,801	17,452	695	695	0		25,496	18,147	7,349
Central.....	45,992	35,795	83,593	71,039	12,554		129,585	106,834	22,751
Community services.....	14,499	10,309	4,006	135	3,871		18,505	10,444	8,061
Total expenditures.....	6,767,563	5,606,824	2,956,359	1,494,350	1,462,009	215,966	9,939,888	7,308,386	2,631,502
Excess (deficiency) of revenues over (under) expenditures.....	(457,319)	408,370	(889,521)	435,831	1,325,352	(93,158)	(1,439,998)	759,797	2,199,795
Other financing sources (uses):									
Refund of prior year's expenditures.....	4,235	4,235	82	82	0		4,317	4,317	0
Operating transfers (out).....	(4,473)	(4,473)					(4,473)	(4,473)	0
Advances in.....	42,810	42,810	24,432	24,432	0		67,242	67,242	0
Advances (out).....	(26,563)	(26,563)	(5,863)	(5,863)	0		(32,426)	(32,426)	0
Money on behalf of other governments.....			(318,766)	(318,766)	0		(318,766)	(318,766)	0
Pass-through.....	(1,011,058)						(1,011,058)		0
Total other financing sources (uses).....	(995,049)	16,009	(300,115)	(300,115)	0	0	1,295,164	284,106	1,011,058
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(457,319)	424,379	(1,189,636)	135,716	1,325,352	(93,158)	(2,735,162)	475,691	3,210,853
Fund balance, July 1.....	1,473,007	1,478,007							
Prior year encumbrances appropriated.....	5,923	5,923							
Fund balance, June 30.....	\$26,562	\$1,903,309	\$24,432	\$1,349,784	\$1,325,352	\$0	\$50,994	\$3,261,847	\$3,210,853

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999

	Internal Service
Operating revenues:	
Tuition and fees.	\$40,166
Sales/charges for services	499,322
Total operating revenues	539,488
Operating expenses:	
Personal services.	85,687
Contract services.	7,402
Claims expense	366,545
Total operating expenses.	459,634
Operating income.	79,854
Nonoperating revenues :	
Operating grants.	7,015
Investment earnings.	2,177
Total nonoperating revenues.	9,192
Net income.	89,046
Retained earnings, July 1	28,020
Retained earnings, June 30	\$117,066

MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

	Internal Service
Cash flows from operating activities:	
Cash received from tuition and fees	\$52,541
Cash received from sales/service charges	520,017
Cash received from other operations	
Cash received from other operations.	2,967
Cash payments for personal services.	76,670
Cash payments for contract services	355,612
Cash payments supplies and materials.	6,681
Net cash provided by operating activities	136,562
Cash flows from noncapital financing activities:	
Cash received from operating grants.	7,015
Cash payments for interfund loans.	36,820
Net cash used in noncapital financing activities	29,805
Cash flows from investing activities:	
Interest received	2,177
Net cash provided by investing activities	2,177
Net increase in cash and cash equivalents	108,934
Cash and cash equivalents, July 1	106,774
Cash and cash equivalents, June 30.	\$215,708
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$79,854
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in accounts receivable	36,565
Increase in accounts payable	500
Decrease in accrued wages & benefits	(4,925)
Increase in compensated absences payable.	914
Decrease in pension obligation payable	(1,005)
Increase in claims payable	12,284
Increase in deferred revenue	12,375
Net cash provided by operating activities.	\$136,562

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 1 - DESCRIPTION OF THE ENTITY

The Mid-Ohio Educational Service Center (the "ESC") is a political subdivision of the State of Ohio. The ESC was formed from the consolidation of the former Crawford County, Morrow County, and Richland County Educational Service Centers on July 1, 1996.

County boards of education were formed in Ohio as a result of the passage of Senate Bill 9, in 1914. In 1995, Am. Sub. H.B. 117 authorized the creation of Educational Service Centers and abolished county Boards of Education. That legislation also changed the "Board of Education" to the "Governing Board".

The ESC is located at 1495 W. Longview Ave., Suite 202, Mansfield, in offices provided by the Richland County Commissioners, as provided by Ohio Revised Code 3319.19. The Governing Board consists of seven members, five of which are elected by the voters of Richland County, and one each from Crawford and Morrow County. This Governing Board acts as the authorizing body for expenditures, policy and procedures, and approves all financial activities. The ESC is staffed by 40 non-certificated employees and 116 certificated (including administrative) employees to provide services to approximately 29,159 students throughout Crawford, Morrow, and Richland counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the ESC 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 ESC's significant accounting policies are described below.

A. The Reporting Entity

The ESC's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the ESC (the primary government). The ESC has no component units. The following organizations are described due to their relationship to the ESC.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Jointly Governed Organizations:

Business Advisory Councils of Crawford, Morrow, and Richland Counties

The ESC shall appoint a Business Advisory Council (the "Councils") in accordance with Ohio Revised Code, Section 3313.174. The purpose of the Councils shall be to provide insight, generate suggestions, and promote a positive relationship between the ESC and the communities it serves. The theme of the relationship is to provide an appropriate and adequate curriculum, within the ESC's financial means, in order that conscientious students may enter the work force with the knowledge, skills and attitudes that are at a level which makes initial employment feasible and additional training both productive and economical.

The Councils shall be composed of an optional number of members as determined by the ESC Superintendent. The membership may be selected from the fields of commercial, industrial, service, agricultural and governmental agencies. Consideration may also be given to one citizen representative from each of the local districts. Each local superintendent may also serve as an "ex officio" member. The ESC Superintendent, or his designee, shall serve as the chairman of the council.

The Superintendent of the ESC shall develop administrative guidelines which will ensure that the time and efforts of the Councils and those of the professional staff are utilized properly to accomplish these educational outcomes and to provide for a continued, strong working relationship between the school community, the Councils, and the larger community of employers.

The ESC has no ongoing financial interest or financial responsibility to the Councils.

Pioneer Career and Technology Center

The ESC is a member of the Pioneer Career and Technology Center (the "Center"). The Center has an eleven member Board of Education, with members serving a three-year term. The ESC's responsibility to the Center is limited to appointing one member to the Center's Board of Education to serve a three-year term. The ESC has no ongoing financial interest or financial responsibility to the Center.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tri-Rivers Career Center (TRCC)

The TRCC is a jointly governed organization, established by the Ohio Revised Code (ORC) to provide vocational and special education needs to students. The ESC does not retain an ongoing financial interest or responsibility in the TRCC.

Joint Venture Without Equity Interest:

Heartland Council of Governments (The COG)

The COG (fka North Central Ohio Computer Cooperative) is a joint venture among 21 school districts, and 2 Educational Service Centers. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil, per year charge dependent upon the software package utilized. In the event of dissolution of the COG, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months' financial contribution. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the ESC does not have an equity interest in the COG because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest; therefore, the ESC does not have any equity interest in the COG. Financial information can be obtained from Jerry Payne, treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Potential Component Units Reported as Agency Funds:

Crawford County Family and Children First Council
North Central Regional Professional Development Center
Mid-Ohio Early Intervention Collaborative Group
School Study Council of Ohio
Richland County Solid Waste Authority
Recovery Alternative School
Satellite V Media Center

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The ESC is also a member of the Ohio School Boards Association Workers' Compensation Group Rating Program (an insurance purchasing pool), described in Note 10.

B. Fund Accounting

The ESC uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General Fund - The General Fund is the general operating fund of the ESC 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 ESC for any purpose provided it is expended or transferred according to the general laws of the State 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 expenditures for specified purposes.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

PROPRIETARY FUNDS

Proprietary Funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the ESC's Proprietary Fund Types:

Internal Service Funds - Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the ESC, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the ESC in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. The Expendable Trust Fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 group of accounts is established to account for all fixed assets of the ESC, other than those accounted for in the proprietary or trust funds.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the ESC, other than those accounted for in the proprietary or trust funds..

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental and Expendable Trust funds are accounted for using a 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 (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for all Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the ESC is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fixed year), and accounts.

The ESC reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the ESC before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

D. Budgets

An Educational Service Center is required by state Statute, Ohio Revised Code Section 3317.11, to submit an annual budget of operating expenses to the State Board of Education for approval.

1. Appropriations for the ensuing year for an Educational Service Center are prepared on forms furnished by the State Board of Education which certify the budget to the State, together with such other information as the State Board of Education may require. Said budget shall consist of two parts: Part (A) shall include the cost of the salaries, employers retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. Part (B) shall include the cost of all other lawful expenditures of the Educational Service Center. The State Board of Education shall review such budget and may approve, increase, or decrease such budget. A portion of the Educational Service Center's operating expenses are apportioned among the various districts in the service area on the basis of the total number of pupils in each district and deducted from funds allocated to local districts under the school foundation program. The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
2. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the State Board of Education.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All departments/ functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
4. Appropriation amounts are as originally adopted, or as amended by the ESC throughout the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the ESC during fiscal 1999 in the following amounts:

	<u>Increase</u>
General Fund	\$ 965,441
Special Revenue Funds	1,511,260
Internal Service Funds	73,633
Expendable Trust Fund	13,645
Agency Funds	<u>236,354</u>
Total, All Funds	<u><u>\$2,800,333</u></u>

5. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the object level.

Encumbrance accounting is utilized with ESC funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 13 provides a reconciliation of the budgetary and GAAP basis of accounting.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Cash and Investments

To improve cash management, cash received by the ESC is pooled. Monies for all funds, including Proprietary Funds, are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. Although the ESC is fiscal agent for several entities which are not part of the reporting entity as described in Note 2, the ESC does not operate an external investment pool, because interest revenue is not allocated to these Agency funds.

During 1999, investments were limited to STAR Ohio, repurchase agreements and certificates of deposit.

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

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, 1999.

The ESC assigns investment earnings to the General fund and Self-Insurance fund, as permitted by Ohio statute. The General fund was credited with \$112,496 more interest than would have been received based upon its share of the ESC's investments during fiscal 1999.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventory in governmental funds consists of expendable supplies held for consumption.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The ESC follows the capitalization policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than three years. No depreciation is recognized for assets in the General Fixed Assets Account Group.

The ESC has no Proprietary fund fixed assets.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. The ESC currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue

Urban Pilot Projects
Professional Development
Early Childhood Education
Gifted Education
Entry Year Programs
Management Information Systems
Education for Economic Security
Preschool for the Handicapped
Adult Basic Education
Drug Free School
School to Work
Mentor Program
Career Enhancement
Transition Funding

Capital Projects

Technology Equity

Grants and entitlements amounted to approximately 65% of the ESC's operating revenue during the 1999 fiscal year.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

Compensated absences of the ESC consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the ESC and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick pay on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service; or twenty (20) years' service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick pay has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick pay liabilities of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Long-Term Obligations

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepaid assets, and materials and supplies inventory. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

During the course of normal operations, the ESC has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Governing Board Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the ESC's interfund transactions for fiscal year 1999 is presented in Note 5.

N. Statement of Cash Flows

In September 1989, the GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The ESC has presented a statement of cash flows for its Internal Service funds. For purposes of the statement of cash flows, the ESC considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase) and all investments of the cash pool.

O. Financial Reporting for Proprietary and Similar Fund Types

The ESC's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The ESC accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. 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.

Q. Memorandum Only - Total Columns

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

During 1999, the ESC implemented Statement No. 32 of the Governmental Accounting Standards Board, Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans. Statement No. 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. The Ohio Public Employees Deferred Compensation Plan during fiscal 1999 placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled \$761,824 as of June 30, 1999 have been excluded from the ESC's financial statements.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A. Prior Period Adjustment

At June 30, 1998 the balance of the General Fixed Asset Account Group was understated due to the omission of certain assets, and the General Long-Term Obligations Account Group was understated due to the understatement of the liability for compensated absences. The affect of these adjustments on each account group, as previously stated, is shown below.

<u>Account Group</u>	Balance as Previously Stated at <u>June 30, 1998</u>	<u>Adjustments</u>	Restated Balance at <u>July 1, 1998</u>
GFAAG	\$539,661	\$52,506	\$592,167
GLTOAG	250,383	30,423	280,806

B. Deficit Fund Balance

Fund balances at June 30, 1999 included the following individual fund deficit:

<u>Special Revenue Funds</u>	<u>GAAP Basis</u>
Transition Funding	<u>\$(1,499)</u>

This GAAP deficit will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the ESC 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 ESC 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 the Governing Board 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 deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the ESC'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 moneys 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;

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the ESC, 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.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Deposits: At year-end the carrying amount of the ESC's deposits was \$(742,716) and the bank balance was \$131,242 (both amounts are exclusive of payroll clearance accounts, but include \$76,596 in non-negotiable certificates of deposit). The bank balance was covered entirely by federal depository insurance.

Investments: The ESC's investments are required to be categorized to give an indication of the level of holding risk assumed by the ESC at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the ESC or its agent in the ESC'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 ESC'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 ESC's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category</u> <u>3</u>	<u>Fair</u> <u>Value</u>
Repurchase Agreements	\$339,701	\$ 339,701
Not Subject to Categorization:		
Investment in State		
Treasurer's Investment Pool	_____	<u>4,172,440</u>
Total Investments	<u>\$339,701</u>	<u>\$4,512,141</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB statement No. 9 entitled, Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 3,769,425	
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(4,172,440)	\$4,172,440
Repurchase Agreement	<u>(339,701)</u>	<u>339,701</u>
GASB Statement No. 3	<u>\$ (742,716)</u>	<u>\$4,512,141</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following individual fund loans receivable and payable:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan (Payable)</u>
<u>General Fund</u>	\$26,562	
<u>Special Revenue Fund</u>		
Miscellaneous Federal Grants		\$(24,432)
<u>Agency Funds</u>		
Richland County Solid Waste		(137)
District Agency	<u> </u>	<u>(1,993)</u>
Total All Fund Types	<u>\$26,562</u>	<u>\$(26,562)</u>

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 6 - RECEIVABLES

Receivables at June 30, 1999 consisted of accounts, accrued interest and intergovernmental grant monies intended to finance fiscal 1999. A summary of principal items of receivables are as follows:

	<u>Amounts</u>
<u>General Fund</u>	
Accounts	\$2,619,564
Due from other Governments	39,484
 <u>Special Revenue Funds</u>	
Due from Other Governments	64,870

NOTE 7 - FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	<u>Restated Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Furniture/ Equipment	<u>\$592,167</u>	<u>\$120,736</u>	<u>\$(2,500)</u>	<u>\$710,403</u>

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, as well as the current fiscal year, the ESC has entered into capital leases for copiers and computer equipment. The assets capitalized under a capital lease totaled \$205,350. The terms of each lease agreement provide an option to purchase the copiers and computer equipment. These leases meet the criteria of a capital lease as defined by Statement No. 13 of the FASB, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. New leases are accounted for as a capital outlay expenditure and other financing source in the General fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$44,891. This amount is reflected as debt service principal retirement in the General fund.

The following is an analysis of the copiers and computer equipment under capital lease as of June 30, 1999:

	<u>General Fixed Assets Account Group</u>
Equipment	<u>\$205,350</u>
Carrying Value	<u>\$205,350</u>

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 1999:

<u>Year Ending</u> <u>June 30</u>	<u>Copiers</u>
2000	\$ 43,559
2001	39,852
2002	22,878
2003	8,958
2004	<u>3,729</u>
 Total Minimum Lease Payments	 \$118,976
Less: Amount Representing Interest	<u>(14,104)</u>
Present Value of Future Minimum Lease Payments	<u><u>\$104,872</u></u>

The ESC does not have capitalized lease obligations after fiscal year 2004.

NOTE 9 - LONG-TERM OBLIGATIONS

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences will ultimately be paid from the fund from which the employee is paid.

	<u>Restated</u> <u>Balance</u> <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 1999</u>
Compensated Absences	\$168,896	\$ 86,612	\$ (79,508)	\$176,000
Pension Obligation Payable	2,121	7,608	(2,121)	7,608
Capital Lease Obligation	<u>109,789</u>	<u>39,974</u>	<u>(44,891)</u>	<u>104,872</u>
 Total	 <u><u>\$280,806</u></u>	 <u><u>\$134,194</u></u>	 <u><u>\$(126,520)</u></u>	 <u><u>\$288,480</u></u>

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 10 - RISK MANAGEMENT

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ESC maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

The ESC has established a Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$75,000 for each health benefits claim. The plan is offered to school districts state-wide through the Ohio Mid-Eastern Regional Education Service Agency (OME-RESA) in Steubenville, and administered by Self Funded Plans, Inc. of Cleveland. Through OME-RESA, the ESC purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

All funds of the ESC participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The ESC's independent third-party administrator has actuarially determined that \$57,673 is a sufficient provision for all unmatured claim obligations (including both reported but unpaid claims and incurred but not reported claims, as well as an allowance for claim settlement expenses on the estimated unpaid claims) as of June 30, 1999. This amount is non-discounted and is based upon historical claims experience.

The claims liability of \$57,673 reported in the Fund at June 30, 1999 is based on the provisions of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount during fiscal 1999 and available prior years are as follows:

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 10 - RISK MANAGEMENT - (Continued)

	Beginning of Fiscal Year <u>Liability</u>	Current-Year Claims and Changes in <u>Estimates</u>	<u>Claims Payments</u>	Balance at Fiscal <u>Year-End</u>
1998 - 1999	\$ 45,389	\$366,545	\$354,261	\$ 57,673
1997 - 1998	\$108,458	\$377,968	\$441,037	\$ 45,389

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The ESC contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the ESC is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$112,153, \$96,754 and \$95,649, respectively; 93 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$7,608, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The ESC contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the ESC is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The ESC's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$545,016, \$498,199 and \$409,276, respectively; 100 percent has been contributed for each fiscal year.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 11 - 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, 1999, 3 members of the Board of Governors have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The ESC 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 funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998 the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the ESC, this amount equaled \$311,438 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

**MID-OHIO EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. 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 1999, the minimum pay has been established at \$12,400. 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 annual health care expenses. Expenses for health care at June 30, 1998, the latest information available, were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the ESC, the amount to fund health care benefits, including the surcharge, equaled \$42,356 during the 1999 fiscal year.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

**MID-OHIO EDUCATIONAL SERVICE CENTER
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget Basis	\$ 424,379	\$ 135,716	\$(84,404)
Net Adjustment for Revenue Accruals	919,490	239,476	
Net Adjustment for Expenditure Accruals	(146,739)	(440,748)	
Net Adjustment for Other Financing Sources	23,965	295,898	
Net Adjustment for Reclassification of Funds	(20,823)	(42,988)	84,404
Encumbrances (Budget Basis)	<u>939</u>	<u>8,469</u>	<u> </u>
GAAP Basis	<u><u>\$1,201,211</u></u>	<u><u>\$195,823</u></u>	<u><u>\$ 0</u></u>

**MID-OHIO EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 14 - RELATED PARTY TRANSACTIONS

During fiscal 1999, the ESC spent a total of \$108,844 of Eisenhower Funds on behalf of school districts in Crawford, Morrow and Richland Counties.

NOTE 15 - CONTINGENT LIABILITIES

A. Grants

The ESC receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the ESC at June 30, 1999.

B. Litigation

The ESC is involved in no litigation as either plaintiff or defendant.

C. School Funding Decision

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 Ohio General Assembly 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 this ESC. During the fiscal year ended June 30, 1999, the ESC received a total of \$3,531,675 in school foundation support for its general fund.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 15 - CONTINGENT LIABILITIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the ESC 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 - YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the ESC's operations as early as fiscal year 1999.

The ESC has completed an inventory of computer systems and other equipment necessary to conducting ESC operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The ESC uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Equipment Inventory System for its fixed assets accounting. The State is responsible for remediating these systems.

**MID-OHIO EDUCATIONAL SERVICE CENTER
RICHLAND COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE 16 - YEAR 2000 ISSUE - (Continued)

The State of Ohio distributes a substantial sum of money to the ESC in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the ESC through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 3, 2000, the ESC experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the ESC does business may also experience Year 2000 readiness issues that are as yet, unknown.

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA #	Pass-through Agency Awarding Number	Receipts	Expenditures
United States Department of Agriculture				
Passed Through the Ohio Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	123521-05-PU-00-98/99	\$19,658	\$22,404
National School Lunch Program	10.555	123521-04-PU-00-98/99	28,988	33,853
Child and Adult Care Food Program	10.558	N/A	<u>5,534</u>	<u>5,534</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			54,180	61,791
United States Department of Labor				
Passed Through the Ohio Department of Education:				
School to Work Grant	17.249	123521-WK-BE-98	28,958	27,613
United States Department of Education				
Passed Through the Ohio Department of Education:				
Adult and Community Education	84.002	123521-AB-S1-98	26,327	59,581
Pre-School Handicapped	84.173	123521-PG-S1-99 123521-PG-S1-98	29,913 <u>0</u>	19,856 <u>2,757</u>
Total Pre-School Handicapped			29,913	22,613
Drug Free Schools	84.186	123521-DR-S1-99 123521-DR-S1-98	46,164 <u>0</u>	45,852 <u>4,787</u>
Total Drug Free Schools			46,164	50,639
Goals 2000	84.276	123521-G2-S5-99 123521-G2-S3-99 123521-G2-S2-98	100,000 50,000 131,162 <u>25,384</u>	124,332 41,702 120,821 <u>25,384</u>
Total Goals 2000			306,546	312,239
Eisenhower Math and Science	84.281	123521-MS-S1-99 123521-MS-S4-99 123521-MS-S1-98 C 123521-MS-S3-97 123521-MS-S2-97	92,536 9,500 62,676 0 <u>0</u>	24,222 3,980 73,381 1,973 <u>9,746</u>
Total Eisenhower Math and Science			<u>164,712</u>	<u>113,302</u>
Total U.S. Department of Education			<u>573,662</u>	<u>558,374</u>
Total			<u>\$656,800</u>	<u>\$647,778</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Federal Awards Receipts and Expenditures (Schedule) is a summary of the activity of the ESC's federal awards programs. The Schedule has been prepared on the cash basis of accounting.



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**

Mid-Ohio Educational Service Center
Richland County
1495 Longview Ave., STE. 202
Mansfield, Ohio 44906

To the Board of Education:

We have audited the general purpose financial statements of the Mid-Ohio Educational Service Center, Richland County, Ohio, (the ESC) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 3, 2000, in which we noted the ESC changed its method of accounting and reporting for a deferred compensation plan. 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 ESC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the ESC in a separate letter dated January 3, 2000.

This report is intended for the information and use of management, the Board of Governors, 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.



Jim Petro
Auditor of State

January 3, 2000



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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

Mid-Ohio Educational Service Center
Richland County
1495 Longview Ave., STE. 202
Mansfield, Ohio 44906

To the Board of Governors:

Compliance

We have audited the compliance of the Mid-Ohio Educational Service Center, Richland County, Ohio, (the ESC) 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, 1999. The ESC'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 ESC's management. Our responsibility is to express an opinion on the ESC's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 occurred. An audit includes examining, on a test basis, evidence about the ESC'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 of the ESC's compliance with those requirements.

In our opinion, the ESC 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, 1999.

Internal Control Over Compliance

The management of the ESC 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 ESC'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.

This report is intended for the information and use of management, the Board of Governors, 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.



Jim Petro
Auditor of State

January 3, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Goals 2000, CFDA #84.276
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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MID-OHIO EDUCATIONAL SERVICE CENTER, RICHLAND 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.

By: Susan Babbitt
Clerk of the Bureau

Date: FEB 24 2000