GENERAL PURPOSE FINANCIAL STATEMENTS

of the

Franklin County Educational Service Center

for the

Fiscal Year Ended June 30, 2000

Prepared By

Deloris J. Fate, Treasurer

1717 Alum Creek Drive **Columbus, Ohio 43207**

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Franklin County Educational Service Center

We have reviewed the Independent Auditor's Report of the Franklin County Educational Service Center, Franklin County, prepared by Jones, Cochenour & Co. for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Franklin County Educational Service Center is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 31, 2000

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
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Franklin County Educational Service Center
List of Principal Officials

June 30, 2000

GOVERNING BOARD	
Joyce Galbraith	President
Betty Klamforth	Vice President
Larry Flowers	Member
Richard Helsel	Member
Mary White	Member

TREASURER
Deloris J. Fate

ADMINISTRATION	
David A. Cottrell, Ed.D.	Superintendent
Frederick C. Wolfe.	Deputy Superintendent
Flo Burke	Director of Support Services

Jones, Cochenour & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Franklin County Educational Service Center
Columbus, Ohio

We have audited the accompanying general purpose financial statements of Franklin County Educational Service Center as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of Franklin County Educational Service Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 aspects, the financial position of Franklin County Educational Service Center, as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund types 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 November 10, 2000 on our consideration of Franklin County Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of receipts and expenditures of federal awards 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 of Franklin County Educational Service Center. 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 whole.

Jones, Cochenour & Co.
November 10, 2000

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GENERAL PURPOSE FINANCIAL STATEMENTS

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

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals 2000
	General	Special Revenue	Internal Service	Agency Fund	General Fixed Assets	General Long Term Obligations	(Memorandum) (Only)
Assets and Other Debits:							
Equity in Pooled Cash and Investments	$ 6,389,842	870,882	116,873	663,126	0	0	$ 8,040,723
Unamortized Premiums	12,250	0	0	0	0	0	12,250
Interfund Receivables	158,594	0	0	0	0	0	158,594
Intergovernmental Receivables	431,600	3,945	0	33,127	0	0	468,672
Accounts Receivable	549,307	0	18,594	6,961	0	0	574,862
Inventory	710	0	0	0	0	0	710
Property and Equipment	0	0	0	60,506	2,489,891	0	2,550,397
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0	0	538,470	538,470
Total Assets and Other Debits	$ 7,542,303	874,827	135,467	763,720	2,489,891	538,470	$ 12,344,678
Liabilities:							
Interfund Payables	$ 0	99,575	0	59,019	0	0	$ 158,594
Intergovernmental Payable	136,299	7,697	0	4,573	0	47,387	195,956
Claims Payable	0	0	20,300	0	0	0	20,300
Accounts Payable	97,284	136,136	1,700	63,785	0	0	298,905
Accrued Salaries and Benefits	746,448	14,329	0	13,449	0	0	774,226
Due to Others	0	0	0	607,679	0	0	607,679
Compensated Absences Payable	82,914	59,551	0	15,215	0	491,083	648,763
Total Liabilities	1,062,945	317,288	22,000	763,720	0	538,470	2,704,423
Fund Equity and Other Credits:							
Investment in General Fixed Assets	0	0	0	0	2,489,891	0	2,489,891
Retained Earnings	0	0	113,467	0	0	0	113,467
Fund Balances:							
Reserved for Inventory	710	0	0	0	0	0	710
Reserved for Encumbrances	165,348	752,083	0	0	0	0	917,431
Unreserved Fund Balance	6,313,300	(194,544)	0	0	0	0	6,118,756
Total Fund Balances	6,479,358	557,539	0	0	0	0	7,036,897
Total Fund Balances/Retained Earnings	6,479,358	557,539	113,467	0	2,489,891	0	9,640,255
Total Liabilities, Fund Equity, and Other Credits	$ 7,542,303	874,827	135,467	763,720	2,489,891	538,470	$ 12,344,678

See Accompanying Notes to the General Purpose Financial Statements

Franklin County Educational Service Center
Combined Statement of Revenue, Expenditures, and Changes in Fund Balance
All Governmental Fund Types
Year Ended June 30, 2000

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum) (Only)
REVENUES:			
Revenue from Local Sources			
Tuition	$ 2,469,412	0	$ 2,469,412
Earnings on Investments	468,163	0	468,163
Miscellaneous	4,367,259	0	4,367,259
Revenue from Intermediate Sources			
Restricted Grants-in-Aid	0	93,097	93,097
Revenue from State Sources			
Unrestricted Grants-in-Aid	6,070,621	754,518	6,825,139
Restricted Grants-in-Aid	25,588	414,009	439,597
Revenue from Federal Sources			
Restricted Grants-in-Aid	0	4,397,758	4,397,758
Total Revenue	13,401,043	5,659,382	19,060,425
EXPENDITURES:			
Instruction			
Regular Instruction	0	239,125	239,125
Special Instruction	4,780,427	130,828	4,911,255
Vocational Instruction	0	654,908	654,908
Supporting Services			
Supporting Services-Pupils	545,177	94,227	639,404
Supporting Services-Instructional Staff	5,353,868	1,112,080	6,465,948
Supporting Services-Board of Education	83,820	0	83,820
Supporting Services-Administration	623,296	2,254,337	2,877,633
Supporting Services-Fiscal	297,394	131,559	428,953
Supporting Services-Business	130,945	0	130,945
Operation & Maintenance of Plant	438,786	171,028	609,814
Supporting Services-Pupil Transportation	13,182	0	13,182
Supporting Services-Central	14,387	149,719	164,106
Operation of Non-Instructional Services			
Community Services	0	590,465	590,465
Total Expenditures	12,281,282	5,528,276	17,809,558
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,119,761	131,106	1,250,867
Other Financing Sources and Uses:			
Transfers-In	0	17,569	17,569
Refund of Prior Years' Expenditures	4,271	0	4,271
Transfers-Out	0	(28,274)	(28,274)
Refund of Prior Years' Receipts	0	(39,614)	(39,614)
Net Other Financing Sources and Uses	4,271	(50,319)	(46,048)
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursement and Other Uses	1,124,032	80,787	1,204,819
Beginning Fund Balance	5,355,326	476,752	5,832,078
Ending Fund Balance	$ 6,479,358	557,539	$ 7,036,897

See Accompanying Notes to the General Purpose Financial Statements

Franklin County Educational Service Center
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition	$ 2,256,390	2,256,390	0	0	0	$ 0
Earnings on Investment	429,311	429,311	0	0	0	0
Miscellaneous	4,087,273	4,086,864	(409)	0	0	0
Restricted Grants-in-Aid	0	0	0	92,407	92,406	(1)
State Unrestricted Grants-in-Aid	6,070,622	6,070,621	(1)	754,518	754,518	0
State Restricted Grants-in-Aid	25,588	25,588	0	414,009	414,009	0
Federal Restricted Grants-in-Aid	0	0	0	4,795,951	4,778,381	(17,570)
Total Revenue	12,869,184	12,868,774	(410)	6,056,885	6,039,314	(17,571)
Expenditures:						
Regular Instruction	0	0	0	327,552	286,504	41,048
Special Instruction	4,775,645	4,717,710	57,935	149,317	128,251	21,066
Vocational Instruction	0	0	0	691,922	692,047	(125)
Support Services-Pupils	548,340	544,805	3,535	154,754	119,497	35,257
Support Services-Instructional Staff	5,402,483	5,380,799	21,684	1,568,136	1,305,515	262,621
Support Services-Board of Educ.	86,367	85,749	618	0	0	0
Support Services-Administration	626,492	625,027	1,465	2,847,113	2,391,660	455,453
Fiscal Services	312,178	309,174	3,004	238,666	228,124	10,542
Support Services-Business	134,673	134,489	184	0	0	0
Operation & Maintenance of Plant	586,766	582,215	4,551	230,314	194,913	35,401
Support Services-Pupil Transport.	13,319	13,318	1	0	0	0
Support Services-Central	16,162	16,162	0	424,521	407,421	17,100
Community Services	0	0	0	603,737	601,418	2,319
Total Expenditures	12,502,425	12,409,448	92,977	7,236,032	6,355,350	880,682
Excess of Revenue Over (Under) Expenditures	366,759	459,326	92,567	(1,179,147)	(316,036)	863,111
Other Financing Sources (Uses):						
Transfers-In	0	0	0	0	17,569	17,569
Advances-In	298,160	298,160	0	0	99,575	99,575
Refund of Prior Years' Expenditures	4,355	4,296	(59)	0	0	0
Transfers-Out	0	0	0	0	(17,569)	(17,569)
Advances-Out	(158,595)	(158,595)	0	0	(236,089)	(236,089)
Refund of Prior Years' Receipts	0	0	0	0	(39,614)	(39,614)
Total Other Sources (Uses)	143,920	143,861	(59)	0	(176,128)	(176,128)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	510,679	603,187	92,508	(1,179,147)	(492,164)	686,983
Beginning Fund Balance	5,405,683	5,405,683	0	35,514	35,514	0
Prior Year Carry Over Encumbrances	114,996	114,996	0	487,739	487,739	0
Ending Fund Balance	$ 6,031,358	6,123,866	92,508	(655,894)	31,089	$ 686,983

(Continued)

Franklin County Educational Service Center
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2000

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Tuition	$ 2,256,390	2,256,390	$ 0
Earnings on Investment	429,311	429,311	0
Miscellaneous	4,087,273	4,086,864	(409)
Restricted Grants-in-Aid	92,407	92,406	(1)
State Unrestricted Grants-in-Aid	6,825,140	6,825,139	(1)
State Restricted Grants-in-Aid	439,597	439,597	0
Federal Restricted Grants-in-Aid	4,795,951	4,778,381	(17,570)
Total Revenue	18,926,069	18,908,088	(17,981)
Expenditures:			
Regular Instruction	327,552	286,504	41,048
Special Instruction	4,924,962	4,845,961	79,001
Vocational Instruction	691,922	692,047	(125)
Support Services-Pupils	703,094	664,302	38,792
Support Services-Instructional Staff	6,970,619	6,686,314	284,305
Support Services-Board of Educ.	86,367	85,749	618
Support Services-Administration	3,473,605	3,016,687	456,918
Fiscal Services	550,844	537,298	13,546
Support Services-Business	134,673	134,489	184
Operation & Maintenance of Plant	817,080	777,128	39,952
Support Services-Pupil Transport.	13,319	13,318	1
Support Services-Central	440,683	423,583	17,100
Community Services	603,737	601,418	2,319
Total Expenditures	19,738,457	18,764,798	973,659
Excess of Revenue Over (Under) Expenditures	(812,388)	143,290	955,678
Other Financing Sources (Uses):			
Advances-In	298,160	397,735	99,575
Refund of Prior Years Expense	4,355	4,296	(59)
Advances-Out	(158,595)	(394,684)	(236,089)
Refund of Prior Years Receipt	0	(39,614)	(39,614)
Total Other Sources (Uses)	143,920	(32,267)	(176,187)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(668,468)	111,023	779,491
Beginning Fund Balance	5,441,197	5,441,197	0
Prior Year Carry Over Encumbrances	602,735	602,735	0
Ending Fund Balance	$ 5,375,464	6,154,955	$ 779,491

See Accompanying Notes to the General Purpose Financial Statements

Franklin County Educational Service Center

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings

All Proprietary Fund Types

Year Ended June 30, 2000

	Internal Service
Operating Revenues:	
Miscellaneous	$ 204,213
Total Operating Revenue	204,213
Operating Expenses:	
Purchased Services	79,251
Insurance Expenses	167,668
Total Operating Expenses	246,919
Operating Loss	(42,706)
Net Loss	(42,706)
Beginning Retained Earnings	156,173
Retained Earnings at End of Year	$ 113,467

See Accompanying Notes to the General Purpose Financial

Franklin County Educational Service Center
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended June 30, 2000

		Internal Service
Cash Flows from Operating Activities		
Operating Loss	$	(42,706)
Adjustments to Reconcile Operating Loss		
to Net Cash provided by Operating Activities:		
Net (Increase) in Assets:		
Accounts Receivable		(17,336)
Net Increase in Liabilities:		
Accounts Payable		(842)
Claims Payable		1,580
Net Adjustments		(16,598)
Net Cash Used in Operating Activities		(59,304)
Net Decrease in Cash & Cash Equivalents		(59,304)
Cash and Cash Equivalents at Beginning of Year		176,177
Cash and Cash Equivalents at End of Year	$	116,873

See Accompanying Notes to the General Purpose Financial Statements

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Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Center is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

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

The Center serves local school districts: Canal Winchester Local School District, Groveport Madison Local School District, Hamilton Local School District, Plain Local School District and city school districts as provided by S.B. 140, O.R.C. Section 3313.483. Other school districts outside Franklin County are served on an individual contract basis for various services.

The Center is located in Columbus, Ohio and is staffed by 139 certified and 160 non-certified personnel. The Franklin County commissioners, as required by State Statute, provide the offices for the use of the Center.

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

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

Note 1. Summary of Significant Accounting Policies (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

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

> Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the Center on a cost reimbursement basis.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

> Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

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

> General Fixed Assets Account Group - This account group is used to account for all of the Center's fixed assets other than those accounted for in the Proprietary funds.

> General Long-Term Debt Account Group - This account group is used to account for all of the Center's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1) Only current assets and current liabilities are generally included on the balance sheets.

2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the Center is 60 days after year end. Revenue accrued at the end of the year may include fees, interest and tuition.

Note 1. Summary of Significant Accounting Policies (continued)

4) Expenditures 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; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Center follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

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

<u>SF-5</u>

Annually, the Superintendent and the Treasurer submit to the Governing Board a proposed County Educational Service Center SF-5 budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the sources of financing for all funds. After approval by the Board, the SF-5 budget is submitted to the Ohio Department of Education no later than September 8.

<u>Appropriations</u>

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

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

Note 1. Summary of Significant Accounting Policies (continued)

The major differences between the budgetary basis of accounting and GAAP 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); and

c) Outstanding encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types (GAAP basis).

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

E. Cash and Investments

Cash received by the Center is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit, State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper, bankers acceptances, treasury notes, federal agency securities, and repurchase agreements.

Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at amortized cost.

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.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. All investment earnings accrue to the General Fund. Interest income earned in fiscal year 2000 totaled $468,163.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Note 1. Summary of Significant Accounting Policies (continued)

F. Taxes

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

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets less than $300 are not capitalized. The Center does not possess any infrastructure.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized over the remaining useful lives of the related fixed assets, as applicable. Assets in the general fixed assets account group and agency funds are not depreciated.

J. Intergovernmental Revenues

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

Note 1. Summary of Significant Accounting Policies (continued)

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

Entitlements:

General Fund
State Foundation Program

Special Revenue Funds
Educational Management Information Systems

Non-Reimbursable Grants:

Special Revenue Funds

Teen Parents As Teachers Grant	JJDP Grant
Reading Recovery Grant	Sharing of Best Practices
Training Ohio Parents for Success	Regional 5 Central Media
Teenage Sexuality and Pregnancy	Entry Year Grant
Reggio Project	Milken Funds Project
Title VIB	JOG Project
Title I	SCM OCMS
Early Childhood Education	Local STW Grant
Central Resource Directory	Goals 2000
Eisenhower Professional Develop.	JOBS for Columbus Grads
Transition Funding	Miscellaneous State and Federal Grants

Agency Funds

SchoolNet Grant	Alliance Grant
Project Life	Rehab Services Commission
Project More	Christopher Program
Teachers in the Workplace	Franklin Cty. Entry Year
P.I.E. Grant	JCG Columbus Foundation

Grants and entitlements amounted to approximately 61% of the Center's operating revenue during the 2000 fiscal year.

K. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2000 the Center had no long-term interfund loans.

Note 1. Summary of Significant Accounting Policies (continued)

L. Compensated Absences

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

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

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

M. Long-Term Obligations

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

N. Interfund Transactions

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

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

Note 1. Summary of Significant Accounting Policies (continued)

O. Fund Balance Reserves

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

P. Memorandum Only - Total Columns

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

Q. Accounts Payable

The fair value and carrying value of trade accounts payable are approximately the same.

R. Use of Estimates in Preparation of Financial Statements

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.

Note 2. Budgetary Basis of Accounting

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	General Fund	Special Revenue
GAAP Basis	$ 1,124,032	$ 80,787
Increase (Decrease):		
Due to Revenues:		
Net Adjustments to Revenue Accruals	(532,269)	379,932
Due to Expenditures:		
Net Adjustments to Expenditure Accruals	(128,166)	(827,074)
Due to Other Sources/Uses	139,590	(125,809)
Budget Basis	$ 603,187	$ (492,164)

Note 3. Cash and Investments

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

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

Inactive deposits are public deposits the Governing Board has identified as not required for use within the current period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

Note 3. Cash and Investments (continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

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

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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year end, the carrying amount of the Center's deposits was $159,115 and the bank balance was $1,600,136. Of the bank balance:

1. $100,000 was covered by federal depository insurance; and

Note 3. Cash and Investments (continued)

2. $1,500,136 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 Center to a successful claim by the FDIC.

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

	Category 3	Reported Amount	Fair Value
Bankers Acceptances	$ 1,431,479	$ 1,431,479	$ 1,468,433
Federal Agency Securities	2,109,934	2,109,934	2,100,299
STAR Ohio		4,312,876	4,312,876
Total Investments		$ 7,854,289	$ 7,881,608

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

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

	Cash	Investments
GASB Statement No. 9	$ 8,040,723	$ 0
Investments:		
Bankers Acceptances	(1,468,433)	1,468,433
Federal Agency Securities	(2,100,299)	2,100,299
STAR Ohio	(4,312,876)	4,312,876
GASB Statement No. 3	$ 159,115	$ 7,881,608

Note 4. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Furniture and Equipment	$ 2,320,258	196,480	80,367	$ 2,436,371
Vehicles	66,142	0	12,622	53,520
Total General Fixed Assets	$ 2,386,400	196,480	92,989	$ 2,489,891

The following is a summary of changes in the Agency Funds during the fiscal year 2000:

	Agency Fund Fixed Assets June 30, 1999	Additions	Deletions	Agency Fund Fixed Assets June 30, 2000
Furniture and Equipment	$ 60,506	0	0	$ 60,506

Note 5. Receivables

Receivables at June 30, 2000 consisted of special education tuition due from school districts. All receivables are considered collectible in full due to the stable condition of State programs. A summary of the principal items of Intergovernmental and Accounts Receivables follows:

General Fund:	
Accounts Receivable	$ 494,938
Intergovernmental:	
Educational Services	431,600
Total General Fund:	926,538
Special Revenue Funds:	
Intergovernmental:	
JJDP - Eagle's Nest	3,945
Total Special Revenue Funds:	3,945
Internal Service Funds:	
Accounts Receivable	18,594
Total Internal Service Funds:	18,594
Agency Funds:	
Intergovernmental:	
Rehabilitation Service Commission	12,741
Alliance Grant	20,386
Total Agency Funds:	$ 33,127

Note 6. Defined Benefit Pension Plans

A. School Employees Retirement System

The District 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.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. 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 District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were $719,655, $648,050 and $600,247, respectively; 94 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. $47,387 representing the unpaid surcharge contribution for fiscal year 2000, is recorded as a liability within the general long-term obligations account group.

B. State Teachers Retirement System

The District 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 District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were $914,838, $865,125 and $833,507, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998.

C. Social Security

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, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 7. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $522,765 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was $2.783 million at June 30, 1999 (the latest information available). 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, 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 the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 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 2000, the minimum pay has been established at $12,400. The surcharge rate 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. For the District, this amount equaled $371,232 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999,(the latest information available) were $126,380,984 and the target level was $189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was $188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

Note 8. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from Center policy and State laws. Only administrative and support personnel who are under a full year contract are eligible for vacation time.

The Superintendent, Deputy Superintendent, Treasurer and Directors receive twenty days of vacation per year. Certified employees on an eleven month contract receive ten days per year. All other full time employees earn up to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to employees upon termination of employment.

Note 8. Compensated Absences (continued)

Classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-9	10
10-19	15
20-Beyond	20

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

For all employees, retirement severance is paid to each employee retiring from the Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement up to a maximum of thirty (30) days.

Note 9. Risk Management

General Risk

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

General Liability:

General liability insurance is maintained in the amount of $2,000,000 for each occurrence and $5,000,000 in the aggregate. Fleet insurance is maintained in the amount of $1,000,000 for each occurrence.

The Center maintains replacement cost insurance on building contents in the amount of $50,000 with supplemental coverage for computers and classroom equipment. Other insurance includes hired non-owned auto coverage for employees using their vehicles for Center business.

Workers' Compensation Liability-Public Entity Risk Pool:

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

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts and educational service centers is calculated as one experience and a common premium rate is applied to all school Centers in the GRP. Each participant pays its workers' compensation

Note 9. Risk Management (continued)

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 and educational service centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Health Insurance:

The Center is fully insured for medical insurance with the Anthem and United Health Companies.

The Center has established an internal service "self-insurance" fund for dental insurance, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This self-insurance fund was established for the purpose of accumulating balances sufficient to self-insure dental coverage and permit excess umbrella coverage for claims over a pre-determined level. The Center pays 100% of the premium contributions. Amounts are paid into this fund from the General Fund and certain Special Revenue Funds (Grants). Mutual Health Services is the third party administrator. Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of $20,300 at June 30, 2000.

A summary of changes in self-insurance claims:

	June 30, 2000	June 30, 1999
Claim Liabilities at beginning of year	$ 18,720	$ 10,400
Incurred Claims	181,218	151,742
Claims Paid	(179,638)	(143,422)
Claim Liabilities at end of year	$ 20,300	$ 18,720

Note 10. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30,2000
Intergovernmental Payable	$ 45,012	47,387	45,012	$ 47,387
Capital Leases Payable	9,083	0	9,083	0
Compensated Absences Payable	376,887	491,083	376,887	491,083
Total Long Term Obligations	$ 430,982	538,470	430,982	$ 538,470

Note 11. Interfund Transactions

At June 30, 2000, the Center had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Receivables	Payables
General Fund	$ 158,594	$ 0
Special Revenue Funds	0	99,575
Agency Funds	0	59,019
	$ 158,594	$ 158,594

The following is a summary of the cash basis advances in and out for all funds at June 30, 2000:

	Advances In	Advances Out
General Fund	$ 298,160	$ 158,595
Special Revenue Funds	99,575	236,089
Agency Funds	59,020	62,071
	$ 456,755	$ 456,755

Note 12. Jointly Governed Organizations

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

Note 13. Contingencies

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2000.

B. Litigation

The Center is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2000.

Note 14. State Funding

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

Part (B) of the budget is provided by the school districts to which the Center provided 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 the average daily memberships of all of the school district's served by the Center by $37. This amount is provided from State resources.

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

Note 15. 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 the Center. During the fiscal year ended June 30, 2000, the Center received $6,070,621 of school foundation support for its general fund.

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

Note 15. School Funding Decision (continued)

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 Center 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.

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
For the Year Ended June 30, 2000

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass-Through Entity Number	CFDA Number	Receipts	Expenditures
U.S. Department of Education/ Ohio Department of Education				
Special Education Cluster:				
Special Education - Handicapped State Grants	6B-SX-99/00 6B-SI-99/00 6B-SV-99P	84.027	$ 672,897	$ 806,101
Special Education - Preschool Grants	PG-S31-99/00 PG-S1-00 PG-S2-99/00 PG-S4-99/00 PG-S7-99/00	84.173	597,997	532,814
Total Special Education Cluster			1,270,894	1,338,915
Parent Training & Information		84.029	800,325	448,331
Project Life		84.158	26,000	26,000
Javits Grant	JG-SI-99C	84.206	10,137	13,589
Even Start – State Educational Agencies	EV-ST-00	84.213	35,000	35,000
Goals 2000 -	G2-S3-98/99 G2-S9-00	84.276	170,000	261,924
Eisenhower Professional Development	MS-S1-98 MS-S2-99/00 MS-S4-99/00	84.281	159,140	140,402
Directed Model Demo		84.332	63,550	64,035
Total U.S. Department of Education			2,535,046	2,328,196
U.S. Department of Labor/ Ohio Department of Education				
Employment Services and Job Training-School to Work	WK-EE 99/00	17.249	613,451	587,610
Total Federal Awards Receipts And Expenditures (Reporting Entity)			3,148,497	2,915,806

See accompanying notes to the schedule

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES- CONTINUED
For the Year Ended June 30, 2000

The Franklin County Educational Service Center collected the following grant monies in its capacity of fiscal agent:

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass-Through Entity Number	CFDA Number	Receipts	Expenditures
Handicapped State Grants	6B-II-98P 6B-SI-99 6B-SV-99P 6B-SX-98/99	84.027	2,050,542	1,898,251
Special Education – Preschool Grants	PD-A1-98/99 PG-S1-99 PG-S2-98/99 PG-S4-98/99 PG-S47-99	84.173	385,085	339,978
	Total Federal Awards Receipts and Expenditures (Fiscal Agent Activity)		2,435,627	2,238,229
	Total Federal Awards Receipts and Expenditures		$ 5,584,124	$ 5,154,0

See accompanying notes to the schedule

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
NOTE TO THE SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
For the Year Ended June 30, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal award receipts and expenditures is a summary of the activity of the Board's federal award programs. The schedule has been prepared on the cash basis of accounting.

Jones, Cochenour & Co.
Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Education
Franklin County Educational Service Center
Columbus, Ohio

We have audited the general purpose financial statements of Franklin County Educational Service Center as of and for the year ended June 30, 2000, and have issued our report thereon dated November 10, 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 Franklin County Educational Service Center's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of Franklin County Educational Service Center, in a separate letter dated November 10, 2000.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Franklin County Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Franklin County Educational Service Center, in a separate letter dated November 10, 2000.

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This report is intended solely for the information and use of the board of education, management, Auditor of State 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.

Jones, Cochenour & Co.
November 10, 2000

Jones, Cochenour & Co.
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Education
Franklin County Educational Service Center
Columbus, Ohio

Compliance

We have audited the compliance of Franklin County Educational Service Center, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. Franklin County Educational Service Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Franklin County Educational Service Center's management. Our responsibility is to express an opinion on Franklin County Educational Service Center'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 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 Franklin County Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Franklin County Educational Service Center's compliance with those requirements.

In our opinion, Franklin County Educational Service Center, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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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 solely for the information and use of the board of education, management, Auditor of State 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.

Jones, Cochenour & Co.
November 10, 2000

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2000

1. SUMMARY OF AUDITORS' RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: CFDA Numbers 84.027 and 81.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: $300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
There are no findings for the year ended June 30, 2000.

3. FINDINGS RELATED TO FEDERAL AWARDS
There are no findings for the year ended June 30, 2000.

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
CONCLUSION STATEMENT
JUNE 30, 2000

A post audit conference with the Franklin County Educational Service Center officials was conducted on December 19, 2000, at which time they were notified they had five business days to respond to the preliminary report. All responses were reviewed.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 16, 2001