



GENERAL PURPOSE FINANCIAL STATEMENT

of the

Franklin County Educational Service Center

for the

Fiscal Year Ended June 30, 1999

Prepared By

Deloris J. Fate, Treasurer

1717 Alum Creek Drive

Columbus, Ohio

**FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
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FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
LIST OF PRINCIPAL OFFICIALS

JUNE 30, 1999

BOARD OF EDUCATION	
Larry Flowers	President
Joyce Galbraith	Vice President
Richard Helsel	Member
Betty Klamfoth	Member
Mary White	Member

Treasurer
Deloris J. Fate

ADMINISTRATION	
David A. Cottrell	Superintendent
Fredrick C. Wolfe	Deputy Superintendent
Flo Burke	Director of Support Services



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43215

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

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, 1998 through June 30, 1999. 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

January 5, 2000



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, 1999, 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, 1999, 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 22, 1999 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.

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 22, 1999

**Franklin County Educational Service Center
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types		Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals 1999
	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	\$ 5,520,679	498,271	176,177	834,718	0	0	\$ 7,029,845
Interfund Receivables	298,159	0	0	0	0	0	298,159
Intergovernmental Receivables	430,580	383,877	0	133,835	0	0	948,292
Accounts Receivable	36,800	0	1,258	0	0	0	38,058
Inventory	710	0	0	0	0	0	710
Property and Equipment	0	0	0	60,506	2,386,400	0	2,446,906
Amount to be Provided for Retirement of General Long Term Obligations	0	0	0	0	0	430,982	430,982
Total Assets and Other Debits	\$ 6,286,928	882,148	177,435	1,029,059	2,386,400	430,982	\$ 11,192,952
Liabilities:							
Interfund Payables	0	236,089	0	62,070	0	0	298,159
Intergovernmental Payable	127,497	5,472	0	3,894	0	45,012	181,875
Claims Payable	0	0	18,720	0	0	0	18,720
Accounts Payable	67,978	105,300	2,542	157,779	0	0	333,599
Accrued Salaries and Benefits	680,221	31,861	0	19,669	0	0	731,751
Due to Others	0	0	0	751,692	0	0	751,692
Capital Leases Payable	0	0	0	0	0	9,083	9,083
Compensated Absences Payable	55,906	26,674	0	33,955	0	376,887	493,422
Total Liabilities	931,602	405,396	21,262	1,029,059	0	430,982	2,818,301
Fund Equity and Other Credits:							
Investment in General Fixed Assets	0	0	0	0	2,386,400	0	2,386,400
Retained Earnings	0	0	156,173	0	0	0	156,173
Fund Balances:							
Reserved for Inventory	710	0	0	0	0	0	710
Reserved for Encumbrances	46,518	376,525	0	0	0	0	423,043
Unreserved Fund Balance	5,308,098	100,227	0	0	0	0	5,408,325
Total Fund Balances	5,355,326	476,752	0	0	0	0	5,832,078
Total Fund Balances/Retained Earnings	5,355,326	476,752	156,173	0	2,386,400	0	8,374,651
Total Liabilities, Fund Equity, and Other Credits	\$ 6,286,928	882,148	177,435	1,029,059	2,386,400	430,982	\$ 11,192,952

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, 1999

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum) (Only)</u>
REVENUES:			
Revenue from Local Sources			
Tuition	\$ 2,169,103	0	\$ 2,169,103
Earnings on Investments	398,646	0	398,646
Psychologist & Occupational Therapist Services	409,023	0	409,023
Work Study Program	17,868	0	17,868
Services to Districts	2,211,779	0	2,211,779
Fiscal Agent Fees	485,499	0	485,499
Miscellaneous	425,563	0	425,563
Revenue from Intermediate Sources			
Restricted Grants-in-Aid	0	113,363	113,363
Revenue from State Sources			
Unrestricted Grants-in-Aid	6,000,424	669,758	6,670,182
Restricted Grants-in-Aid	25,589	379,276	404,865
Revenue from Federal Sources			
Restricted Grants-in-Aid	0	4,001,944	4,001,944
Total Revenue	12,143,494	5,164,341	17,307,835
EXPENDITURES:			
Instruction			
Regular Instruction	0	105,241	105,241
Special Instruction	4,144,201	189,250	4,333,451
Vocational Instruction	0	515,572	515,572
Other Instruction	0	23,073	23,073
Supporting Services			
Supporting Services-Pupils	488,412	77,944	566,356
Supporting Services-Instructional Staff	4,953,520	1,163,907	6,117,427
Supporting Services-Board of Education	70,982	0	70,982
Supporting Services-Administration	609,007	2,159,955	2,768,962
Supporting Services-Fiscal	287,711	123,335	411,046
Supporting Services-Business	121,881	0	121,881
Operation & Maintenance of Plant	291,939	170,482	462,421
Supporting Services-Pupil Transportation	9,312	0	9,312
Supporting Services-Central	9,892	0	9,892
Operation of Non-Instructional Services			
Food Services Operations	0	7,167	7,167
Community Services	0	897,082	897,082
Total Expenditures	10,986,857	5,433,008	16,419,865
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	1,156,637	(268,667)	887,970
Other Financing Sources and Uses:			
Other Sources	2,903	0	2,903
Other Uses	0	(29,743)	(29,743)
Net Other Financing Sources and Uses	2,903	(29,743)	(26,840)
Excess (Deficiency) of Revenue Receipts			
and Other Sources Over (Under) Expenditure			
Disbursement and Other Uses	1,159,540	(298,410)	861,130
Beginning Fund Balance	4,195,786	775,162	4,970,948
Ending Fund Balance	\$ 5,355,326	476,752	\$ 5,832,078

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, 1999

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Tuition	\$ 2,221,800	2,222,659	859	0	0	0
Earnings on Investment	405,000	406,964	1,964	0	0	0
Miscellaneous	3,617,950	3,619,823	1,873	0	0	0
Restricted Grants-in-Aid	0	0	0	110,107	110,108	1
State Unrestricted Grants-in-Aid	6,001,000	6,000,424	(576)	669,788	669,758	(30)
State Restricted Grants-in-Aid	25,000	25,589	589	379,276	379,276	0
Federal Restricted Grants-in-Aid	0	0	0	3,727,283	3,727,974	691
Total Revenue	12,270,750	12,275,459	4,709	4,886,454	4,887,116	662
Expenditures:						
Regular Instruction	0	0	0	365,279	163,320	201,959
Special Instruction	4,151,286	4,143,345	7,941	350,180	229,401	120,779
Vocational Instruction	0	0	0	545,166	527,463	17,703
Other Instruction	0	0	0	26,093	23,373	2,720
Support Services-Pupils	495,423	495,115	308	153,521	139,697	13,824
Support Services-Instructional Staff	4,989,274	4,947,341	41,933	1,516,782	1,223,264	293,518
Support Services-Board of Educ.	72,297	72,051	246	0	0	0
Support Services-Administration	608,776	608,345	431	2,637,090	2,295,603	341,487
Fiscal Services	288,839	286,453	2,386	195,866	181,670	14,196
Support Services-Business	121,482	120,737	745	0	0	0
Operation & Maintenance of Plant	340,581	339,336	1,245	217,590	197,918	19,672
Support Services-Pupil Transport.	9,738	9,025	713	0	0	0
Support Services-Central	11,447	11,441	6	0	0	0
Food Services Operations	0	0	0	12,606	7,316	5,290
Community Services	0	0	0	1,158,515	986,645	171,870
Total Expenditures	11,089,143	11,033,189	55,954	7,178,688	5,975,670	1,203,018
Excess of Revenue Over						
(Under) Expenditures	1,181,607	1,242,270	60,663	(2,292,234)	(1,088,554)	1,203,680
Other Financing Sources (Uses):						
Advances-In	153,568	154,432	864	0	236,089	236,089
Refund of Prior Years Expense	3,100	3,034	(66)	0	0	0
Advances-Out	(298,160)	(298,160)	0	0	(32,492)	(32,492)
Refund of Prior Years Receipt	0	0	0	0	(29,743)	(29,743)
Total Other Sources (Uses)	(141,492)	(140,694)	798	0	173,854	173,854
Excess of Revenues & Other Financing						
Sources Over (Under) Expenditures						
and Other Financing Uses	1,040,115	1,101,576	61,461	(2,292,234)	(914,700)	1,377,534
Beginning Fund Balance	4,166,003	4,166,003	0	519,192	519,192	0
Prior Year Carry Over	138,104	138,104	0	431,022	431,022	0
Ending Fund Balance	\$ 5,344,222	5,405,683	61,461	(1,342,020)	35,514	\$ 1,377,534

See Accompanying Notes to the General Purpose Financial Statements.

(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, 1999

Totals (Memorandum Only)

	<u>Totals (Memorandum Only)</u>		Variance
	Revised Budget	Actual	Favorable (Unfavorable)
Revenues:			
Tuition	\$ 2,221,800	2,222,659	\$ 859
Earnings on Investment	405,000	406,964	1,964
Miscellaneous	3,617,950	3,619,823	1,873
Restricted Grants-in-Aid	110,107	110,108	1
State Unrestricted Grants-in-Aid	6,670,788	6,670,182	(606)
State Restricted Grants-in-Aid	404,276	404,865	589
Federal Restricted Grants-in-Aid	3,727,283	3,727,974	691
Total Revenue	17,157,204	17,162,575	5,371
Expenditures:			
Regular Instruction	365,279	163,320	201,959
Special Instruction	4,501,466	4,372,746	128,720
Vocational Instruction	545,166	527,463	17,703
Other Instruction	26,093	23,373	2,720
Support Services-Pupils	648,944	634,812	14,132
Support Services-Instructional Staff	6,506,056	6,170,605	335,451
Support Services-Board of Educ.	72,297	72,051	246
Support Services-Administration	3,245,866	2,903,948	341,918
Fiscal Services	484,705	468,123	16,582
Support Services-Business	121,482	120,737	745
Operation & Maintenance of Plant	558,171	537,254	20,917
Support Services-Pupil Transport.	9,738	9,025	713
Support Services-Central	11,447	11,441	6
Food Services Operations	12,606	7,316	5,290
Community Services	1,158,515	986,645	171,870
Total Expenditures	18,267,831	17,008,859	1,258,972
Excess of Revenue Over (Under) Expenditures	(1,110,627)	153,716	1,264,343
Other Financing Sources (Uses):			
Advances-In	153,568	390,521	236,953
Refund of Prior Years Expense	3,100	3,034	(66)
Advances-Out	(298,160)	(330,652)	(32,492)
Refund of Prior Years Receipt	0	(29,743)	(29,743)
Total Other Sources (Uses)	(141,492)	33,160	174,652
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	(1,252,119)	186,876	1,438,995
Beginning Fund Balance	4,685,195	4,685,195	0
Prior Year Carry Over	569,126	569,126	0
Ending Fund Balance	\$ 4,002,202	\$ 5,441,197	\$ 1,438,995

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, 1999

	Internal Service
Operating Revenues:	
Miscellaneous	<u>\$ 196,829</u>
Total Operating Revenue	196,829
Operating Expenses:	
Purchased Services	44,132
Insurance Expenses	<u>163,977</u>
Total Operating Expenses	<u>208,109</u>
Operating Loss	<u>(11,280)</u>
Net Loss	(11,280)
Beginning Retained Earnings	<u>167,453</u>
Retained Earnings at End of Year	<u><u>\$ 156,173</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

Franklin County Educational Service Center
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 Year Ended June 30, 1999

	<u>Internal Service</u>
Cash Flows from Operating Activities	
Operating Loss	\$ (11,280)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities:	
Net (Increase) in Assets:	
Accounts Receivable	(1,033)
Net Increase in Liabilities:	
Accounts Payable	2,255
Claims Payable	8,320
Net Adjustments	9,542
Net Cash Used in Operating Activities	(1,738)
Net Decrease in Cash & Cash Equivalents	(1,738)
Cash and Cash Equivalents at Beginning of Year	177,915
Cash and Cash Equivalents at End of Year	\$ 176,177

See Accompanying Notes to the General Purpose Financial Statements.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

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 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 school 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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

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.

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:

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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.
- 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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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.

SF-5

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.

Appropriations

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.

The major differences between the budgetary basis of accounting and GAAP are that:

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

- 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) 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, 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.

The Center has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. 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.

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 1999 totaled \$398,646.

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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

F. Taxes

A county educational service center does not itself 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, 1999, 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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

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
Reading Recovery Grant
Training Ohio Parents for Success
Teenage Sexuality and Pregnancy
Reggio Project
Title VIB
Title I
Early Childhood Education
Central Resource Directory
Eisenhower Professional Develop.
Transition Funding

JJDP Grant
Sharing of Best Practices
Regional 5 Central Media
Entry Year Grant
Milken Funds Project
JOG Project
SCM OCMS
Title I
Local STW Grant
Goals 2000
JOBS for Columbus Grads

Agency Funds

SchoolNet Grant
Project Life
Project More
Teachers in the Workplace
P.I.E. Grant

Alliance Grant
Rehab Services Commission
Christopher Program
Franklin Cty. Entry Year
JCG Columbus Foundation

Grants and entitlements amounted to approximately 67% of the Center's operating revenue during the 1999 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, 1999 the Center had no long-term interfund loans.

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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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. 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.

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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

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	\$ 1,159,540	\$ (298,410)
Increase (Decrease):		
Due to Revenues:	131,965	(277,225)
Net Adjustments to Revenue Accruals		
Due to Expenditures:		
Net Adjustments to Expenditure	(46,332)	(542,662)
Due to Other Sources/Uses	(143,597)	203,597
Budget Basis	\$ 1,101,576	\$ (914,700)

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

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 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 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.

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;

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 3. Cash and Investments (continued)

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 \$38,330 and the bank balance was \$1,170,158. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$1,070,158 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.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 3. Cash and Investments (continued)

	Category 3	Reported Amount	Fair Value
Bankers Acceptances	\$ 100,846	\$ 100,846	\$ 101,282
Federal Agency Securities	2,065,626	2,065,626	2,066,884
U.S. Treasury Notes	249,844	249,844	250,391
STAR Ohio		4,575,199	4,575,199
Total Investments		<u>\$ 6,991,515</u>	<u>\$ 6,993,756</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "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	\$ 7,029,845	\$
Investments:		
Bankers Acceptances	(100,846)	100,846
Federal Agency Securities	(2,065,626)	2,065,626
U.S. Treasury Notes	(249,844)	249,844
STAR Ohio	(4,575,199)	4,575,199
GASB Statement No.3	<u>\$ 38,330</u>	<u>\$ 6,991,515</u>

Note 4. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Furniture and Equipment	\$ 2,509,666	289,559	478,967	\$ 2,320,258
Vehicles	66,142	0	0	66,142
Total General Fixed Assets	<u>\$ 2,575,808</u>	<u>289,559</u>	<u>478,967</u>	<u>\$ 2,386,400</u>

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 4. Fixed Assets (continued)

The following is a summary of changes in the Agency Funds during the fiscal year 1999:

	Agency Fund Fixed Assets June 30, 1998	Additions	Deletions	Agency Fund Fixed Assets June 30, 1999
Furniture and Equipment	\$ 31,067	29,439	0	\$ 60,506

Note 5. Receivables

Receivables at June 30, 1999 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:

<u>General Fund:</u>	
Accounts Receivable	\$ 36,800
<u>Intergovernmental:</u>	
Educational Services	390,969
Print Shop Services	2,188
Indirect Costs	37,423
Total General Fund:	<u>467,380</u>
<u>Special Revenue Funds:</u>	
<u>Intergovernmental:</u>	
Dept of Youth	3,255
Catholic Diocese	25,919
ORCLISH	111,133
Preschool 99	33,361
ESC99	73,600
School to Work	55,000
Javits	81,609
Total Special Revenue Funds:	<u>383,877</u>
<u>Internal Service Funds:</u>	
Accounts Receivable	1,258
Total Internal Service Funds:	<u>1,258</u>
<u>Agency Funds:</u>	
<u>Intergovernmental:</u>	
OCSA	3,751
District Agency	8,468
Parents as Teachers Institute	1,050
Jobs for Columbus Grads	11,036
Rehab Services Commission	14,745
Catholic Diocese LPDC	785
Family Ties	94,000
Total Agency Funds:	<u>\$ 133,835</u>

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 6. Defined Benefit Pension Plans

A. State Teachers Retirement System

The Center participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Center is required to contribute 14 percent. At June 30, 1998 (the latest information available) 10.5 percent was allocated to fund the pension obligation and 3.5 percent to fund health care. Prior to July 1, 1998, the portion used to fund pension obligations was 12 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 Center's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$865,125, \$833,507, and \$722,308, respectively; 93.34 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$61,698 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1998 (the latest information available), 9.02 percent was the portion used to fund pension obligations and 4.98 percent to fund health care. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$648,050, \$600,247, and \$474,550, respectively; 89.46 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$76,392 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 1999, no members of the Governing Board have elected social security. The liability is 6.2 percent of wages paid.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 7. Postemployment Benefits

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year June 30, 1998 (the latest information available), the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund, an increase from 2 percent. For the Center, this amount equaled \$162,013 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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 1998 (the latest information available), employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21. 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, were \$111,900,575 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 (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the Center, the amount to fund health care benefits, including the surcharge, equaled \$275,523 during the 1999 fiscal year.

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.

Classified personnel accumulate vacation based on the following schedule:

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 8. Compensated Absences (continued)

<u>Years Service</u>	<u>Vacation Days</u>
1	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 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 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 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 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.

**Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999**

Note 9. Risk Management (continued)

Participation in the GRP is limited to school 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 Company.

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 \$18,720 at June 30, 1999.

A summary of changes in self-insurance claims:

	June 30, 1999	June 30, 1998
Claim Liabilities at beginning of year	\$ 10,400	\$ 7,900
Incurred Claims	151,742	107,407
Claims Paid	(143,422)	(104,907)
Claim Liabilities at end of year	<u>\$ 18,720</u>	<u>\$ 10,400</u>

Note 10. Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	Balance			Balance June 30, 1999
	July 1, 1998	Additions	Deletions	
Intergovernmental Payable	\$ 0	45,012	0	\$ 45,012
Capital Leases Payable	5,908	9,083	5,908	9,083
Compensated Absences Payable	307,662	376,887	307,662	376,887
Total Long Term Obligations	<u>\$ 313,570</u>	<u>430,982</u>	<u>313,570</u>	<u>\$ 430,982</u>

**Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999**

Note 11. Change in Accounting Principles

The Center has implemented GASB Statement No 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" for its deferred compensation plan. On September 1, 1998, the Ohio Public Employees Deferred Compensation Board created a trust for the assets of the plan for which the Center has no fiduciary responsibility.

Note 12. Capital Leases

The Center is making installment payments on computer equipment purchased with an original value of \$13,253. This equipment has been capitalized in the general fixed assets account group. This obligation provides for interest at rates 4.18%, with an outstanding balance of \$9,083 at June 30, 1999.

The following is a schedule of future minimum lease payments required under the capital lease and present value of the minimum lease payments for computer equipment in the Governmental funds as of June 30, 1999:

	Year Ending June 30
FY2000	\$ 9,943
Less interest:	(860)
Present Value of Minimum Lease Payments	\$ 9,083

Note 13. Interfund Transactions

At June 30, 1999, 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	\$ 298,159	\$ 0
Special Revenue Funds	0	236,089
Agency Funds	0	62,070
	\$ 298,159	\$ 298,159

The following is a summary of the cash basis advances in and out for all funds at June 30, 1998:

	Advances In	Advances Out
General Fund	\$ 154,432	\$ 298,160
Special Revenue Funds	236,089	32,492
Agency Funds	62,071	121,940
	\$ 452,592	\$ 452,592

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 14. 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 Centers in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County Centers. Centers outside of Franklin County are associate members and each county selects a single Center to represent them on the governing board. MEC is its 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 15. 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, 1999.

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, 1999.

Note 16. 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 Centers to which the Center provided services and by the State Department of Education. Each school Center's portion is determined by multiplying the average daily membership of the school Center (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school Center'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 Center's served by the Educational Service Center by \$32. 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 Centers 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 Centers 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 Center's approve or disapprove the additional apportionment.

Franklin County Educational Service Center
Notes to the General Purpose Financial Statements
June 30, 1999

Note 17. 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, 1999, the Center received \$6,000,424 of school foundation support for its general fund.

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 this date, 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 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.

Note 18. 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 Center's operations.

The Center has completed an inventory of computer systems and other equipment necessary to conducting Center operations and has identified such systems as being financial reporting, payroll and employee benefits and educational reporting (through the State's Education Management and Information System (EMIS)). An assessment has been completed by contacting the manufacturers/vendors of each inventory item. Remediation tasks identified during this process have been executed.

The Center utilizes Metropolitan Education Council (MEC), an external service organization, for its accounting and financial reporting. Metropolitan Education Council is responsible for remediating these systems. The Center has contacted and received documentation regarding its Year 2000 status.

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

To the best of their knowledge, the Center believes that all mission critical computer systems have been fully remediated.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success or related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Center is or will be Year 2000 ready, that the Center's remediation efforts will be successful in whole or in part, or that parties with whom the Center does business will be year 2000 ready.

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES
For the Year Ended June 30, 1999

<u>Federal Grantor/ Pass-Through Grantor/ Program Grant Title</u>	<u>Pass-Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<i>U.S. Department of Education/ Ohio Department of Education</i>				
Special Education Cluster: Special Education - Grants to States	6B-II-98P 6B-SI-99 6B-SV-99P 6B-SX-98/99	84.027	\$ 2,354,347	\$ 2,268,131
Special Education - Preschool Grants	PD-A1-98/99 PG-S1-99 PG-S2-98/99 PG-S4-98/99 PG-S47-99	81.173	325,483	502,907
Total Special Education Cluster			<u>2,679,830</u>	<u>2,771,038</u>
Special Education - Personnel Development and Parent Training		84.029	477,386	364,104
Javits Gifted and Talented Students and Education	JG-SI-98/99	84.206	160,001	206,592
Even Start - State Educational Agencies	EV-ST-98/99	84.213	35,000	35,008
Goals 2000 - State and Local Education System	G2-S3-98	84.276	149,706	93,885
Eisenhower Professional Development	MS-S1-98 MS-S2-97/99 MS-S4-98/99	84.281	<u>137,300</u>	<u>211,640</u>
Total U.S. Department of Education			<u>3,639,223</u>	<u>3,682,267</u>
<i>U.S. Department of Labor/ Ohio Department of Education</i>				
Employment Services and Job Training-School to Work	WK-EE 98	17.249	<u>813,660</u>	<u>906,053</u>
Total Federal Awards Receipts And Expenditures (Reporting Entity)			4,452,883	4,588,320

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, 1999

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

<u>Federal Grantor/ Pass-Through Grantor/ Program Grant Title</u>	<u>Pass-Through Entity Number</u>	<u>CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
Special Education - Grants to States	6B-II-98P 6B-SI-99 6B-SV-99P 6B-SX-98/99	84.027	102,695	422,533
Special Education - Preschool Grants	PD-A1-98/99 PG-S1-99 PG-S2-98/99 PG-S4-98/99 PG-S47-99	81.173	<u>332,600</u>	<u>358,031</u>
Total Federal Awards Receipts and Expenditures (Fiscal Agent Activity)			<u>435,295</u>	<u>780,564</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 4,888,178</u>	<u>\$ 5,368,884</u>

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, 1999

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.



**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, 1999, and have issued our report thereon dated November 22, 1999. 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 22, 1999.

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 22, 1999.

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.

Jones, Cochenour & Co.

November 22, 1999



**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, 1999. 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.

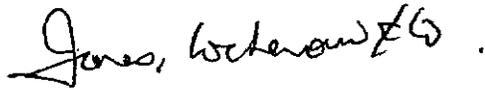
In our opinion, Franklin County Educational Service Center, complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

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.

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 22, 1999

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 § .505
 JUNE 30, 1999

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, Employment Services and Job Training: CFDA Number 17.249
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
(d)(1)(ix)	Low Risk Auditee?	Yes

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505 - CONTINUED
JUNE 30, 1999

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

There are no findings for the year ended June 30, 1999.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings for the year ended June 30, 1999.

FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
 STATUS OF PRIOR AUDIT FINDINGS AND CITATIONS
 JUNE 30, 1999

<u>PRIOR FINDINGS AND CITATIONS</u>	<u>STATUS</u>	<u>EXPLANATION IF NOT FULLY IMPLEMENTED</u>
REPORTABLE CONDITION:		
1. Year 2000.	Partially Corrected	Assessment and remediation stages have been completed. Management continues to monitor changing information.

**FRANKLIN COUNTY EDUCATIONAL SERVICE CENTER
CONCLUSION STATEMENT
JUNE 30, 1999**

A post audit conference with the Franklin County Educational Service Center officials was conducted on December 15, 1999, 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.

By: Susan Babbitt

Date: JAN 13 2000



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

In accordance with *Government Auditing Standards*, we have audited the financial statements of Franklin County Educational Service Center as of and for the year then ended June 30, 1999 and have issued our report thereon dated November 22, 1999.

Government Auditing Standards also requires that we describe the scope of our testing of compliance with laws and regulations and internal controls and report any irregularities, illegal acts, and other material noncompliance and reportable conditions in internal control. We have issued our report dated November 22, 1999 on compliance and internal controls required by *Government Auditing Standards* as of and for the year ended June 30, 1999.

Office of Management and Budget Circular A-133 requires that we report all instances of noncompliance, and to report on internal control, related to major programs. We have issued a report dated November 22, 1999 on the compliance and on the internal control required by Office of Management and Budget Circular A-133 as of and for the year ended June 30, 1999.

In addition to the matters we communicated to you in the reports described above, we are submitting for your consideration the following comments on Franklin County Educational Service Center's compliance with applicable laws and regulations and on its internal controls. These comments reflect matters that, while in our opinion do not represent material instances of noncompliance or reportable internal controls conditions, we believe represent matters for which improvement in compliance or internal control or operational efficiency might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your Center. If you have questions or concerns regarding these comments, please do not hesitate to contact us.

Noncompliance not reflected in the Government Auditing Standards Compliance Report

Ohio Rev. Code Section 9.833 requires individual or joint self-insurance programs providing health care benefits to reserve an amount to cover potential costs of those health care benefits. It also requires that these programs prepare a report, to be issued within 90 days after the program's fiscal year-end, reflecting those reserves and the disbursements made from the reserved funds during the preceding fiscal year. The programs are to secure the services of an actuary to certify that the amounts reserved conform with the law, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles. The Center provides dental health care services through an individual self-insurance program. The Center did not obtain the required report.

Internal Control Recommendations

CASH RECEIPTS

During our audit we noted that pre-numbered cash receipts are not used in consecutive order for the entire year. We recommend that pre-numbered cash receipts be utilized in an uninterrupted numerical order for the entire year to ensure completeness of the receipts issued and monies collected.

GRANT REPORTING

During our audit we noted that the school to work grant quarterly budget and expenditure report did not foot and crossfoot in one instance. We recommend the Center monitor more closely the report preparation and review process to ensure that accurate information is being reported.

YEAR 2000

The information technology Year 2000 date problem is the absence of a two-digit century value within the date field of software, and data files that distinguish dates at either 19XX or 20XX. This problem can be attributed to the historically high costs of data storage and previous technology limitations.

We noted during our audit that the Center has not acquired documentation regarding the Year 2000 status of the third parties which the Center does business with. Examples of third parties include funding sources, such as Franklin County, the State, financial institutions, as well as insurance carriers and other types of vendors.

We recommend that management continue to monitor the Year 2000 mission critical systems and obtain Year 2000 documentation from third parties. Management should place a high priority on identifying its risks and exposures and continue to gather information to ensure an effective and efficient transition into the Year 2000 computing environment.

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 22, 1999