



**Auditor of State
Betty Montgomery**

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Table of Contents

Title	Page
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - Title VI-B Grant Fund	16
Statement of Fiduciary Net Assets - Fiduciary Funds	17
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	18
Notes to the Basic Financial Statements	19
Schedule of Federal Awards Receipts and Expenditures.....	41
Notes to the Schedule of Federal Awards Receipts and Expenditures	42
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings.....	47

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Western Buckeye Educational Service Center
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Buckeye Educational Service Center, Paulding County, (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Buckeye Educational Service Center, Paulding County, as of June 30, 2004, and the respective changes in financial position, where applicable, and the respective budgetary comparison for the General and Title VI-B Grant funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the Center implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 28, 2005

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004**

The discussion and analysis of Western Buckeye Educational Service Center's financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the Educational Service Center's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

Highlights

Key highlights for fiscal year 2004 are as follows:

- Total net assets decreased by \$60,608, or 5 percent, from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Western Buckeye Educational Service Center as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole Educational Service Center, presenting both an aggregate view of the Educational Service Center's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for spending in the near future. The fund financial statements also look at the Educational Service Center's most significant funds, with all other nonmajor funds presented in total in a single column. For Western Buckeye Educational Service Center, the General Fund and Title VI-B special revenue are the most significant funds.

Reporting the Educational Service Center as a Whole

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the Educational Service Center's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the Educational Service Center as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the Educational Service Center discloses a single type of activity. All of the Educational Service Center's activities are reported as governmental activities and include instruction, support services, non-instructional services, and intergovernmental activities.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

Reporting the Educational Service Center's Most Significant Funds

Fund financial statements provide detailed information about the Educational Service Center's major funds. While the Educational Service Center uses many funds to account for its financial transactions, the fund financial statements focus on the Educational Service Center's most significant funds. The Educational Service Center's major funds are the General Fund and Title VI-B special revenue fund.

Governmental Funds - Most of the Educational Service Center's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the Educational Service Center's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Educational Service Center. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the Educational Service Center's programs. These funds use the accrual basis of accounting.

The Educational Service Center as a Whole

Table 1 provides a summary of the Educational Service Center's net assets for fiscal year 2004 compared to fiscal year 2003:

Table 1 Net Assets		
	Governmental Activities	
	2004	2003
Assets:		
Current and Other Assets	\$ 1,510,051	\$ 1,506,250
Capital Assets, Net	120,749	157,879
<i>Total Assets</i>	1,630,800	1,664,129
Liabilities:		
Current and Other Liabilities	450,636	432,835
Long-Term Liabilities	158,065	148,587
<i>Total Liabilities</i>	608,701	581,422
Net Assets:		
Invested in Capital Assets	120,749	157,879
Restricted	29,480	58,275
Unrestricted	871,870	866,553
<i>Total Net Assets</i>	\$ 1,022,099	\$ 1,082,707

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

The table above demonstrates that fiscal year 2004 was very comparable to the prior fiscal year. The change in Educational Service Center's total assets was less than 2 percent; however, there was a sizable decrease in capital assets as well as invested in capital assets. The Educational Service Center had numerous computers that were being used in various school districts for special education programs. Many of these school districts have been moving into new or renovated buildings and the Educational Service Center decided to transfer the ownership of these assets to the school districts that were using them.

The increase in total liabilities was generally insignificant but there were several items worth noting. The liability for SERS surcharge increased in excess of \$12,000 affecting the increase in current and other assets and long-term liabilities increased due to more employees meeting the criteria for inclusion in the liability for compensated absences.

During fiscal year 2003, the Educational Service Center received a State grant for reading mentoring. At the end of fiscal year 2003, most of these grant resources were unspent and reflected in restricted net assets. As these resources were spent in fiscal year 2004, the effect was a reduction in restricted net assets.

Table 2 reflects the changes in net assets for fiscal year 2004. Since this is the first year the Educational Service Center has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

Table 2
Change in Net Assets

	Governmental Activities 2004
Revenues:	
Program Revenues	
Charges for Services	\$ 2,465,888
Operating Grants and Contributions	1,935,216
<i>Total Program Revenues</i>	4,401,104
General Revenues	
Grants and Entitlements	238,970
Interest	16,250
Miscellaneous	11,040
<i>Total General Revenues</i>	266,260
<i>Total Revenues</i>	4,667,364

(Continued)

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

Table 2 (Continued)
Change in Net Assets

	Governmental Activities 2004
Expenses:	
Instruction:	
Regular	539,274
Special	1,635,258
Support Services:	
Pupils	865,507
Instructional Staff	787,877
Board of Education	66,127
Administration	357,478
Fiscal	100,358
Operation and Maintenance of Plant	6,969
Central	68,935
Non-Instructional Services	3,112
Intergovernmental	297,077
<i>Total Expenses</i>	<i>4,727,972</i>
<i>Decrease in Net Assets</i>	<i>\$ (60,608)</i>

Program revenues were 94 percent of total revenues for fiscal year 2004 and are primarily represented by charges for educational programs provided to the school districts served by the Educational Service Center. Charges for services were 53 percent of total revenues. The services being charged to the school districts involve various instruction and support services. The Educational Service Center provides services to four local, one exempted village, and one city school district in Northwest Ohio, as well as some services to various other area entities.

Expenses related to the services charged to school districts are a large portion of the Educational Service Center's budget with 35 percent of overall expenses directly related to special instruction activities including instruction of gifted, multiple disabled, hearing impaired, orthopedic impaired, emotional disturbed, cognitive and specific learning disabled, and preschool disabled children.

Regular instruction costs (11 percent of total expenses) include opportunity program, alternative program, suspension program, typical preschool program, and intervention tutors.

Expenses for the services of nurses, school psychologists, speech therapists, attendance officers, occupational therapists, and physical therapists represented 17 percent of overall expenses and are reflected as instructional staff support services.

Pupil support services were 18 percent of total expenses. These expenses include the costs of supervisors, child information management specialists, paraprofessionals (teacher aides), and a technology director.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

Intergovernmental expenses include the Title VI-B and Early Childhood Special Education Grant (ECSE). These are flow-through grant resources received and spent by the Educational Service Center on behalf of the school districts.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
Instruction:		
Regular	\$ 539,274	\$ (114,444)
Special	1,635,258	(1,717,681)
Support Services:		
Pupils	865,507	865,507
Instructional Staff	787,877	703,631
Board of Education	66,127	66,127
Administration	357,478	357,478
Fiscal	100,358	100,358
Operation and Maintenance of Plant	6,969	6,969
Central	68,935	68,935
Non-Instructional Services	3,112	3,112
Intergovernmental	297,077	(13,124)
<i>Total Expenses</i>	\$ 4,727,972	\$ 326,868

Over 94 percent of the Educational Service Center's costs for providing services are supported by program revenues. Funding for gifted units and preschool units are provided by the State based on the degree and experience of the staff employed in those positions. These units have been and continue to be funded below actual costs. The remaining costs are covered by general revenues.

Expenses for paraprofessionals (teacher aides) are included in the instructional staff support services program. In contrast, instructional programs are charged to school districts and recorded by the Educational Service Center as charges for services revenue for activities related to regular and special instruction. Therefore, the instruction programs appear to be over funded while the instructional staff support services program seems to be quite under funded. Some expenses within the pupils support services program are also charged to school districts with the revenue recorded by the Educational Service Center as charges for services for activities related to special instruction.

The Educational Service Center's Funds

The Educational Service Center's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$4,655,261 and expenditures \$4,668,581.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
(Continued)**

While individually there were some funds which had a substantial change in fund balance, overall the change in fund balance was only 1 percent.

General Fund Budgeting Highlights

The Educational Service Center's budget is prepared according to the requirements as specified by the Board of Education and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2004, the Educational Service Center amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$3,644,842, were below original budgeted revenues, in the amount of \$3,697,880. The \$53,038 difference was due to reductions in CAFS funding and Alternative School tuition.

Final expenditures were budgeted at \$4,517,974 while actual expenditures were \$3,668,307. The Educational Service Center was able to restrict spending below what was anticipated. Increased funding of flow-thru grant resources resulted in less General Fund expenditures for staff salaries and fringe benefits. Health insurance rates were maintained at lower rates than previously estimated. Monies were budgeted for the acquisition of office space (\$145,000) but were not spent.

Capital Assets

At June 30, 2004, the Educational Service Center had \$120,749 invested in capital assets (net of accumulated depreciation), a decrease of \$37,130, or 24 percent. The decrease is due to disposals of computer equipment. For further information regarding the Educational Service Center's capital assets, refer to Note 10 to the basic financial statements.

Current Issues

The Educational Service Center will be acquiring office space in Van Wert during fiscal year 2005 at an approximate cost of \$175,000.

In the upcoming fiscal year, the Educational Service Center expects to lose CAF's funding which has averaged \$115,000 per year. Service contracts along with State funding are not expected to increase in the future. Based on flat State funding, little or no growth in contracts, facility related expenditures, and loss of CAFS funding, a significant loss in our cash balance is expected for fiscal year 2005.

Contacting the Educational Service Center's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Linda Clark, Treasurer, Western Buckeye Educational Service Center, 202 North Cherry Street, Paulding, Ohio 45879.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Net Assets
June 30, 2004**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 1,219,001
Intergovernmental Receivable	254,510
Accrued Interest Receivable	3,743
Prepaid Items	32,797
Nondepreciable Capital Assets	5,400
Depreciable Capital Assets, Net	115,349
<i>Total Assets</i>	<u>1,630,800</u>
Liabilities:	
Accounts Payable	9,855
Accrued Wages and Benefits Payable	349,870
Intergovernmental Payable	90,911
Long-Term Liabilities:	
Due Within One Year	29,872
Due in More Than One Year	128,193
<i>Total Liabilities</i>	<u>608,701</u>
Net Assets:	
Invested in Capital Assets	120,749
Restricted for Other Purposes	29,480
Unrestricted	871,870
<i>Total Net Assets</i>	<u>\$ 1,022,099</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2004**

	Program Revenues		Net (Expense) Revenue and Change in Net Assets
	Charges for Services	Operating Grants and Contributions	Governmental Activities
Expenses			
Governmental Activities:			
Instruction:			
Regular	\$ 539,274	\$ 85,039	\$ 568,679
Special	1,635,258	2,380,849	972,090
Support Services:			
Pupils	865,507	-	-
Instructional Staff	787,877	-	84,246
Board of Education	66,127	-	-
Administration	357,478	-	-
Fiscal	100,358	-	-
Operation and Maintenance of Plant	6,969	-	-
Central	68,935	-	-
Non-Instructional Services	3,112	-	-
Interest and Fiscal Charges			-
Loss on Disposal of Capital Assets			-
Intergovernmental	297,077	-	310,201
<i>Total Governmental Activities</i>	<u>\$ 4,727,972</u>	<u>\$ 2,465,888</u>	<u>\$ 1,935,216</u>

General Revenues:

Grants and Entitlements not Restricted to Specific Programs	238,970
Interest	16,250
Miscellaneous	11,040
<i>Total General Revenues</i>	<u>266,260</u>
<i>Change in Net Assets</i>	(60,608)
Net Assets at Beginning of Year - See Note 3	1,082,707
<i>Net Assets at End of Year</i>	<u>\$ 1,022,099</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2004**

	General	Title VI-B	Other Governmental	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 1,158,573	\$ 38,625	\$ 21,803	\$ 1,219,001
Intergovernmental Receivable	221,574	32,936	-	254,510
Accrued Interest Receivable	3,743	-	-	3,743
Prepaid Items	32,793	-	4	32,797
<i>Total Assets</i>	<u>\$ 1,416,683</u>	<u>\$ 71,561</u>	<u>\$ 21,807</u>	<u>\$ 1,510,051</u>
Liabilities and Fund Balances:				
<u>Liabilities:</u>				
Accounts Payable	\$ 9,519	\$ 336	\$ -	\$ 9,855
Accrued Wages and Benefits Payable	295,024	38,576	16,270	349,870
Intergovernmental Payable	50,825	5,770	5,155	61,750
Deferred Revenue	37,717	16,468	-	54,185
<i>Total Liabilities</i>	<u>393,085</u>	<u>61,150</u>	<u>21,425</u>	<u>475,660</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	5,488	996	1,000	7,484
Unreserved, Reported in:				
General Fund	1,018,110	-	-	1,018,110
Special Revenue Funds (Deficit)	-	9,415	(618)	8,797
<i>Total Fund Balances</i>	<u>1,023,598</u>	<u>10,411</u>	<u>382</u>	<u>1,034,391</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 1,416,683</u>	<u>\$ 71,561</u>	<u>\$ 21,807</u>	<u>\$ 1,510,051</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2004**

Total Governmental Fund Balances		\$ 1,034,391
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		120,749
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	52,453	
Accrued Interest Receivable	<u>1,732</u>	
		54,185
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.		(29,161)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Compensated Absences Payable		<u>(158,065)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 1,022,099</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004**

	General	Title VI-B	Other Governmental	Total Governmental Funds
Revenues:				
Intergovernmental	\$ 1,120,758	\$ 342,884	\$ 601,732	\$ 2,065,374
Interest	14,717	-	-	14,717
Tuition and Fees	111,949	-	-	111,949
Customer Services	2,418,361	-	-	2,418,361
Miscellaneous	22,299	-	22,561	44,860
<i>Total Revenues</i>	<u>3,688,084</u>	<u>342,884</u>	<u>624,293</u>	<u>4,655,261</u>
Expenditures:				
Current:				
Instruction:				
Regular	110,826	-	425,984	536,810
Special	1,527,560	49,767	16,430	1,593,757
Support Services:				
Pupils	861,919	-	-	861,919
Instructional Staff	637,958	47,906	99,721	785,585
Board of Education	66,127	-	-	66,127
Administration	332,210	10,060	3,859	346,129
Fiscal	86,823	250	14,817	101,890
Operation and Maintenance of Plant	6,969	-	-	6,969
Central	20,148	3,209	45,849	69,206
Non-Instructional Services	3,112	-	-	3,112
Intergovernmental	-	257,859	39,218	297,077
<i>Total Expenditures</i>	<u>3,653,652</u>	<u>369,051</u>	<u>645,878</u>	<u>4,668,581</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	34,432	(26,167)	(21,585)	(13,320)
Fund Balances at Beginning of Year - Restated (Note 3)	<u>989,166</u>	<u>36,578</u>	<u>21,967</u>	<u>1,047,711</u>
<i>Fund Balances at End of Year</i>	<u><u>\$ 1,023,598</u></u>	<u><u>\$ 10,411</u></u>	<u><u>\$ 382</u></u>	<u><u>\$ 1,034,391</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2004**

Changes in Fund Balances - Total Governmental Funds \$ (13,320)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current year:

Capital Outlay	15,137	
Depreciation	<u>(25,878)</u>	
		(10,741)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed, resulting in a loss on disposal of capital assets on the statement of activities. (26,389)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:

Intergovernmental	16,551	
Interest	1,533	
Customer Services	<u>(5,981)</u>	
		12,103

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(12,783)	
Compensated Absences Payable	<u>(9,478)</u>	
		<u>(22,261)</u>

Change in Net Assets of Governmental Activities \$ (60,608)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
General Fund
For the Fiscal Year Ended June 30, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,085,500	\$ 1,128,000	\$ 1,044,873	\$ (83,127)
Interest	30,000	20,000	19,741	(259)
Tuition and Fees	145,380	109,580	77,420	(32,160)
Customer Services	2,423,000	2,369,100	2,442,217	73,117
Miscellaneous	14,000	18,162	21,394	3,232
<i>Total Revenues</i>	<u>3,697,880</u>	<u>3,644,842</u>	<u>3,605,645</u>	<u>(39,197)</u>
Expenditures:				
Current:				
Instruction:				
Regular	379,643	335,767	112,757	223,010
Special	1,748,750	1,747,475	1,531,523	215,952
Support Services:				
Pupils	952,728	947,133	855,512	91,621
Instructional Staff	724,752	724,382	652,041	72,341
Board of Education	95,361	95,504	69,381	26,123
Administration	413,545	386,236	334,281	51,955
Fiscal	89,770	92,226	86,717	5,509
Operation and Maintenance of Plant	21,000	19,000	7,122	11,878
Central	17,774	19,176	15,973	3,203
Non-Instructional Services	3,000	6,075	3,000	3,075
Capital Outlay	200,000	145,000	-	145,000
<i>Total Expenditures</i>	<u>4,646,323</u>	<u>4,517,974</u>	<u>3,668,307</u>	<u>849,667</u>
<i>Excess of Expenditures Over Revenues</i>	<u>(948,443)</u>	<u>(873,132)</u>	<u>(62,662)</u>	<u>810,470</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	-	547	547	-
Other Financing Uses	(281,666)	(332,115)	-	332,115
<i>Total Other Financing Sources (Uses)</i>	<u>(281,666)</u>	<u>(331,568)</u>	<u>547</u>	<u>332,115</u>
<i>Changes in Fund Balance</i>	(1,230,109)	(1,204,700)	(62,115)	1,142,585
Fund Balance at Beginning of Year	1,189,207	1,189,207	1,189,207	-
Prior Year Encumbrances Appropriated	15,493	15,493	15,493	-
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ (25,409)</u>	<u>\$ -</u>	<u>\$ 1,142,585</u>	<u>\$ 1,142,585</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual Comparison
Title VI-B Fund
For the Fiscal Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
Revenues:				
Intergovernmental	\$ 230,000	\$ 359,352	\$ 326,416	\$ (32,936)
Expenditures:				
Current:				
Instruction:				
Special	203,506	303,216	257,139	46,077
Support Services:				
Instructional Staff	50,584	75,368	55,328	20,040
Administration	25,495	37,987	35,666	2,321
Fiscal	1,175	1,750	1,750	-
Central	3,356	5,000	3,209	1,791
<i>Total Expenditures</i>	<u>284,116</u>	<u>423,321</u>	<u>353,092</u>	<u>70,229</u>
<i>Changes in Fund Balance</i>	(54,116)	(63,969)	(26,676)	37,293
Fund Balance at Beginning of Year	63,160	63,160	63,160	-
Prior Year Encumbrances Appropriated	<u>809</u>	<u>809</u>	<u>809</u>	<u>-</u>
<i>Fund Balance at End of Year</i>	<u>\$ 9,853</u>	<u>\$ -</u>	<u>\$ 37,293</u>	<u>\$ 37,293</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	Investment Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 1,570,402	\$ 2,402
Accrued Interest Receivable	4,866	-
<i>Total Assets</i>	1,575,268	\$ 2,402
Liabilities:		
Undistributed Assets	-	\$ 2,402
Net Assets:		
Held in Trust for External Pool Participants	\$ 1,575,268	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Changes in Fiduciary Net Assets
Investment Trust Fund
For the Fiscal Year Ended June 30, 2004**

Additions:	
Interest	<u>\$ 27,447</u>
Deductions:	
Distributions to Participants	29,043
Capital Transactions	<u>352,587</u>
<i>Total Deductions</i>	<u>381,630</u>
<i>Change in Net Assets</i>	(354,183)
Net Assets at Beginning of Year	<u>1,929,451</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 1,575,268</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004**

1. REPORTING ENTITY

Western Buckeye Educational Service Center (the Educational Service Center) is located in Paulding, Ohio, the county seat of Paulding County. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Antwerp, Crestview, Lincolnview, and Wayne Trace Local School Districts, the Paulding Exempted Village School District, and the Van Wert City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of one member elected from each of the four local school districts and one member elected at-large for staggered four year terms. The Educational Service Center has thirteen administrators, twenty-eight classified employees, and thirty-five certified teaching personnel who provide services to the local, exempted village, and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Western Buckeye Educational Service Center, this consists of general operations.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Western Buckeye Educational Service Center.

The Educational Service Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Northwestern Ohio Educational Research Council, Inc., Ohio Risk Sharing Authority, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. Information about these organizations is presented in Notes 16 and 17 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Western Buckeye Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

with or contradict GASB pronouncements. Following are the more significant of the Educational Service Center's accounting policies.

A. Basis of Presentation

The Educational Service Center's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Educational Service Center as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the government activities of the Educational Service Center at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Educational Service Center's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Educational Service Center, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the Educational Service Center.

Fund Financial Statements

During the fiscal year, the Educational Service Center segregates transactions related to certain Educational Service Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Educational Service Center at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Educational Service Center uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds used by the Educational Service Center, governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Educational Service Center are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Educational Service Center's two major funds are the General Fund and the Title VI-B special revenue fund.

General Fund - The General 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 Educational Service Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Title VI-B Fund - The Title VI-B Fund is used to account for grant resources received through the Ohio Department of Education, which provide support for educating handicapped students.

The other governmental funds of the Educational Service Center account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the Educational Service Center under a trust agreement for individuals, private organizations, or other governments and are not available to support the Educational Service Center's own programs. The Educational Service Center's only trust fund is an investment trust fund which accounts for the activity of the external investment pool which held funds on behalf of Northwest Ohio Area Computer Services Cooperative. The Educational Service Center's agency funds account for payroll and student monies.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Educational Service Center are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The investment trust fund is accounted for using a flow of economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: grants, interest, tuition, fees, and customer services.

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

There are no budgetary requirements for Education Service Centers identified in the Ohio Revised Code nor does the State Department of Education specify any budgetary guidelines to be followed.

The Educational Service Center's Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Board.

The Educational Service Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund and function level within the General Fund and the fund level for all other funds. The Treasurer has been authorized to allocate appropriations to the object level in the General Fund and the function and object level within all other funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in the pool. Individual fund integrity is maintained through Educational Service Center records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2004, investments were limited to nonnegotiable certificates of deposit, which are reported at cost, and STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2004 was \$14,717, which includes \$693 assigned from other Educational Service Center funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Capital Assets

All of the Educational Service Center's capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The Educational Service Center maintains a capitalization threshold of one thousand dollars. The Educational Service Center does not have any infrastructure. Improvements are capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Buildings	45 years
Furniture, Fixtures, and Equipment	6-20 years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end,

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees who have eight or more years of service with the Educational Service Center.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Educational Service Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include federal and state grants restricted to expenditure for specified purposes.

The Educational Service Center's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Educational Service Center reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

M. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2004, these funds included Title VI-B and Preschool special revenue funds.

N. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ERROR, AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principles

For fiscal year 2004, the Educational Service Center has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".

GASB Statement No. 34 creates new basic financial statements for reporting on the Educational Service Center's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 39 establishes additional guidance on the application of existing standards for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship to the primary government. The

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

implementation of this statement did not result in any change to the Educational Service Center's financial statements.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the Educational Service Center uses for its legally adopted budget when significant budgetary perspective differences result in the Educational Service Center not being able to present budgetary comparisons for the General Fund and each major special revenue fund. The implementation of this statement did not have any effect on the presentation of the Educational Service Center's budgetary financial statements for fiscal year 2004.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Correction of an Error

In the prior fiscal year, the Educational Service Center incorrectly calculated the liability for accrued wages and the corresponding intergovernmental liability for pension amounts.

C. Restatement of Fund Balance

The restatement due to the implementation of the above statements, interpretation, and correction had the following effect on fund balance of the major and nonmajor funds of the Educational Service Center as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Title VI-B	Other Governmental	Total Governmental Activities
Fund Balance June 30, 2003	\$1,047,969	\$42,507	\$29,818	\$1,120,294
Correction of an Error:				
Accrued Wages and Benefits Payable	(63,660)	(5,934)	(6,847)	(76,441)
Intergovernmental Payable	(9,333)	(870)	(1,004)	(11,207)
GASB Interpretation No. 6 Adjustment:				
Compensated Absences Payable	14,190	875	-	15,065
<i>Adjusted Fund Balance</i>	<u>\$ 989,166</u>	<u>\$ 36,578</u>	<u>\$ 21,967</u>	<u>1,047,711</u>
GASB Statement No. 34 Adjustments:				
Intergovernmental Receivable				41,883
Accrued Interest Receivable				199
Capital Assets				157,879
Intergovernmental Payable				(16,378)
Compensated Absences Payable				(148,587)
<i>Governmental Activities Net Assets at June 30, 2003</i>				<u>\$ 1,082,707</u>

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

4. ACCOUNTABILITY

At June 30, 2004, the Alternative School and Preschool Disabilities special revenue funds had deficit fund balances of \$1,583 and \$636, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

5. BUDGETARY BASIS OF ACCOUNTING

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The adjustments necessary to reconcile the GAAP and budgetary basis statements are as follows:

	Changes in Fund Balance	
	General Fund	Title VI-B Fund
GAAP Basis	\$ 34,432	\$ (26,167)
Increase (Decrease) Due to:		
Revenue Accruals:		
Accrued FY 2003, Received in Cash FY 2004	101,541	-
Accrued FY 2004, Not Yet Received in Cash	(187,600)	(16,468)
Expenditure Accruals:		
Accrued FY 2003, Paid in Cash FY 2004	(355,640)	(27,391)
Accrued FY 2004, Not Yet Paid in Cash	355,368	44,682
Unrecorded Cash Activity FY 2003	6,860	-
Unrecorded Cash Activity FY 2004	(2,693)	-
Prepaid Items	(1,088)	-
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(13,295)	(1,332)
Budget Basis	\$ (62,115)	\$ (26,676)

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

6. DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Educational Service Center 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 Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

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 eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,676,000 and the bank balance was \$2,869,603. Of the bank balance, \$700,000 was covered by federal depository insurance and \$2,169,603 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 Educational Service Center to a successful claim by the FDIC.

The Educational Service Center's investments are categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. The Educational Service Center's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2004, the fair value of funds on deposit with STAR Ohio was \$115,805.

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

A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 2,791,805	\$ -
STAR Ohio	(115,805)	115,805
GASB Statement No. 3	\$ 2,676,000	\$ 115,805

7. INVESTMENT POOL

The Educational Service Center serves as fiscal agent for the Northwest Ohio Area Computer Services Cooperative (NOACSC), a legally separate entity. The Educational Service Center pools the monies of this entity with the Educational Service Center's for investment purposes. The Educational Service Center cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The carrying amounts and fair value for both the internal and external portions of the investment pool are disclosed in Note 6 - Deposits and Investments.

Condensed financial information for the investment pool follows:

Statement of Net Assets	
June 30, 2004	
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 2,791,805
Accrued Interest Receivable	8,609
<i>Total Assets</i>	2,800,414
Liabilities:	
Deferred Revenue	1,732
Net Assets Held in Trust for Pool Participants:	
Internal Portion	1,223,414
External Portion	1,575,268
<i>Total Net Assets Held in Trust for Pool Participants</i>	\$ 2,798,682

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2004

Additions:	
Interest	\$ 44,175
Deductions:	
Distributions to Participants	(48,784)
Capital Transactions	(462,263)
<i>Total Deductions</i>	<u>(511,047)</u>
<i>Change in Net Assets</i>	(466,872)
Net Assets at Beginning of Year	<u>3,265,554</u>
<i>Net Assets at End of Year</i>	<u><u>\$ 2,798,682</u></u>

8. STATE FUNDING

The Educational Service Center, under State law, provides supervisory services to the local school districts within its territory. Each city and exempted village school district that entered into an agreement with the Educational Service Center is considered to be provided supervisory services. The cost of the supervisory services is determined by formula under State law. The State Department of Education apportions the costs for all supervisory services among the Educational Service Center's school districts based on each school district's total student count. The State Department of Education deducts each school district's amount from their State Foundation Program settlements and remits the amount to the Educational Service Center. The Educational Service Center may provide additional supervisory services if the majority of the school districts agree to the services and the apportionment of the costs.

The Educational Service Center also receives funding from the State Department of Education, in the amount of \$37 multiplied by the average daily membership of the Educational Service Center. Average daily membership includes the total student counts of all of the local school districts served by the Educational Service Center. This amount is paid from State resources. The State Department of Education also deducts from the State Foundation Program settlement of each of the school districts served by the Education Service Center an amount equal to \$6.50 multiplied by the school district's total student count and remits this amount to the Educational Service Center.

9. RECEIVABLES

Receivables at June 30, 2004, consisted of intergovernmental and accrued interest receivables. All receivables are considered collectible in full and within one year.

A summary of the principal items of intergovernmental receivables follows:

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

	Amounts
General Fund	
Excess Costs	86,208
Customer Services	12,262
Miscellaneous	6,440
Community Alternative Funding	116,664
Total General Fund	221,574
Title VI-B	32,936
<i>Total Intergovernmental Receivables</i>	\$ 254,510

10. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 5,400	\$ -	\$ -	\$ 5,400
Depreciable Capital Assets				
Buildings	54,600	-	-	54,600
Furniture, Fixtures, and Equipment	227,227	15,137	(32,461)	209,903
<i>Total Depreciable Capital Assets</i>	281,827	15,137	(32,461)	264,503
Less Accumulated Depreciation				
Buildings	(22,447)	(1,213)	-	(23,660)
Furniture, Fixtures, and Equipment	(106,901)	(24,665)	6,072	(125,494)
<i>Total Accumulated Depreciation</i>	(129,348)	(25,878)	6,072	(149,154)
Depreciable Capital Assets, Net	152,479	(10,741)	(26,389)	115,349
<i>Governmental Activities Capital Assets, Net</i>	\$ 157,879	\$ (10,741)	\$ (26,389)	\$ 120,749

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 3,314
Special	4,251
Support Services:	
Pupils	1,029
Instructional Staff	8,559
Administration	7,161
Fiscal	1,564
<i>Total Depreciation Expense</i>	\$ 25,878

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

11. RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by Ohio Risk Sharing Authority	
General Liability	
Per Occurrence	\$ 2,000,000
Total per Year	4,000,000
Automobile Liability	2,000,000
Buildings and Personal Property	537,000
Coverage provided by Westfield Companies	
Commercial Liability	
Per Occurrence	1,000,000
Total per Year	2,000,000
Commercial Auto	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

For fiscal year 2004, the Educational Service Center participated in the Ohio Risk Sharing Authority (ORSA), an insurance purchasing pool. Each participant enters into an individual agreement with the ORSA for insurance coverage and pays annual premiums to the ORSA based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2004, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of five members. The Educational Service Center pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to 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 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 Educational Service Center's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2004, 2003, and 2002 was \$282,667, \$275,435, and \$177,336, respectively; 100 percent has been contributed for all three fiscal years. Contributions for the

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

DCP and CP for the fiscal year ended June 30, 2004, were \$39 made by the Educational Service Center and \$5,202 made by plan members.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute an actuarially determined rate. The rate for fiscal year 2004 was 14 percent of annual covered payroll; 9.09 percent was the portion used to fund pension obligations. 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 Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 was \$184,403, \$139,020, and \$79,216, respectively; 100 percent has been contributed for all three fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2004, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 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.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service Center, this amount was \$21,747.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at \$24,500. For the Educational Service Center, the amount to fund health care benefits, including the surcharge, was \$128,767 for fiscal year 2004.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004, were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of thirty days for employees with less than ten years of service with the Educational Service Center, and a maximum of fifty days for employees with ten or more years of service.

Upon the merger of Paulding and Van Wert Educational Service Centers in fiscal year 1999, certain employees accumulated sick leave balances exceeded one hundred eighty days. For these employees, the maximum sick leave accrual is being maintained at their balance upon the merger.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

B. Health Care Benefits

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG) for all employee health care benefits. Through VWASIG, the Educational Service Center offers medical, dental, and life insurance benefits. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

15. LONG-TERM OBLIGATIONS

Changes in the Educational Service Center's long-term obligations during fiscal year 2004 were as follows:

	Balance at 06/30/03	Additions	Reductions	Balance at 06/30/04	Amounts Due Within One Year
Governmental Activities					
Compensated Absences	\$ 148,587	\$ 27,978	\$ 18,500	\$ 158,065	\$ 29,872

Compensated absences will be paid from the General Fund.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The Educational Service Center is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

17. INSURANCE POOLS

A. Ohio Risk Sharing Authority

The Educational Service Center participates in the Ohio Risk Sharing Authority (ORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. ORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. ORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between the ORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Van Wert Area Schools Insurance Group

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 641 North Jefferson Street, Van Wert, Ohio 45891.

18. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004
(Continued)**

The Educational Services Center is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

19. CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2004.

B. Litigation

There are currently no matters in litigation with the Educational Service Center as defendant.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
<u>Special Education Cluster:</u>				
Special Education Grants to States	6B-SD-03	84.027	\$ 23,070	\$ 23,070
	6B-SD-03P	84.027		40,900
	6B-SD-04P	84.027	\$ 54,564	53,002
	6B-SF-04	84.027	271,852	234,789
<i>Total Special Education Grants to States</i>			326,416	351,761
Special Education - Preschool Grant	PG-D7-03P	84.173	5,394	5,394
	PG-S1-03P	84.173		5,601
	PG-S1-04	84.173	38,349	33,338
<i>Total Special Education - Preschool Grant</i>			43,743	44,333
<i>Total Special Education Cluster</i>			370,159	396,094
Safe and Drug Free Schools and Communities State Grant	T4-S1-04P T4-S1-04	84.184 84.184	11,430 9,754	11,405 7,057
<i>Total Safe and Drug Free Schools and Communities State Grant</i>			21,184	18,462
Twenty-first Century Community Learning Centers	T1-S1-03 T1-S1-04	84.287 84.287	436,608	9,698 436,608
<i>Total Twenty-first Century Community Learning Centers Grant</i>			436,608	446,306
Total Department of Education			827,951	860,862
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>Passed Through Ohio Department of MRDD:</i>				
Medical Assistance Program (CAFS)		93.778	126,235	126,235
Totals			\$ 954,186	\$ 987,097

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
Fiscal Year Ended June 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

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

Western Buckeye Educational Service Center
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Buckeye Educational Service Center, Paulding County (the Center) as of and for the year ended June 30, 2004, which collectively comprise the Government's basic financial statements and have issued our report thereon dated March 28, 2005, in which we disclosed the Center implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Center's management dated March 28, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Center's management dated March 28, 2005, we reported an other matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Governing Board, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 28, 2005



Auditor of State Betty Montgomery

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

Western Buckeye Educational Service Center
Paulding County
202 North Cherry Street
P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

Compliance

We have audited the compliance of the Western Buckeye Educational Service Center, Paulding County, (the 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, 2004. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to of its major federal program are the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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 for the information and use of the audit committee, management, Governing Board, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 28, 2005

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Twenty First Century Community Learning Centers Grant – CFDA# 84.287
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

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WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER

PAULDING 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
APRIL 12, 2005**