



**LOGAN COUNTY EDUCATIONAL SERVICE CENTER  
LOGAN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO  
AUDITOR OF STATE**

STATE OF OHIO



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## REPORT OF INDEPENDENT ACCOUNTANTS

Educational Service Center  
Logan County  
121 Opera Street  
Bellefontaine, Ohio 43311

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Logan County Educational Service Center, Logan County, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2000 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.

**JIM PETRO**  
Auditor of State

March 8, 2000



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COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999

	Governmental Fund Types		Proprietary Fund Types	
	General	Special Revenue	Enterprise	Internal Service
<b>Assets and Other Debits:</b>				
Equity in Pooled Cash and Cash Equivalents	\$407,345	\$74,918	\$8,525	\$1,507
<b>Receivables:</b>				
Accounts	19,942	0	0	0
Interfund Receivable	93,715	0	0	0
Fixed Assets	0	0	0	0
<b>Other Debits:</b>				
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Assets and Other Debits</b>	<u>\$521,002</u>	<u>\$74,918</u>	<u>\$8,525</u>	<u>\$1,507</u>
<b>Liabilities:</b>				
Accounts Payable	\$7,226	\$2,899	\$550	\$0
Accrued Wages and Benefits	115,759	8,278	0	0
Compensated Absences Payable	18,530	0	0	0
Interfund Payable	0	88,271	0	0
Due to Other Governments	162,497	5,772	0	0
Due to Students	0	0	0	0
<b>Total Liabilities</b>	<u>304,012</u>	<u>105,220</u>	<u>550</u>	<u>0</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	7,975	1,507
Fund Balances:				
Reserved:				
Reserved for Encumbrances	14,424	3,172	0	0
Unreserved:				
Unreserved, Undesignated	202,566	(33,474)	0	0
<b>Total Fund Equity and Other Credits</b>	<u>216,990</u>	<u>(30,302)</u>	<u>7,975</u>	<u>1,507</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$521,002</u>	<u>\$74,918</u>	<u>\$8,525</u>	<u>\$1,507</u>

*The notes to the financial statements are an integral part of this statement.*



Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Asset Account Group	General Long-Term Debt Account Group	
Trust and Agency			
\$140,673	\$0	\$0	\$632,968
2,074	0	0	22,016
0	0	0	93,715
0	94,772	0	94,772
0	0	56,487	56,487
<u>\$142,747</u>	<u>\$94,772</u>	<u>\$56,487</u>	<u>\$899,958</u>
\$0	\$0	\$0	\$10,675
534	0	0	124,571
0	0	48,925	67,455
5,444	0	0	93,715
125,893	0	7,562	301,724
4,225	0	0	4,225
<u>136,096</u>	<u>0</u>	<u>56,487</u>	<u>602,365</u>
0	94,772	0	94,772
0	0	0	9,482
525	0	0	18,121
6,126	0	0	175,218
6,651	94,772	0	297,593
<u>\$142,747</u>	<u>\$94,772</u>	<u>\$56,487</u>	<u>\$899,958</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u> <u>Fund Types</u>	<u>Totals</u> <u>(Memorandum Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Capital</u> <u>Projects</u>	<u>Expendable</u> <u>Trust</u>	
<b>Revenues:</b>					
Intergovernmental	\$1,386,793	\$76,245	\$0	\$0	\$1,463,038
Interest	33,998	0	0	0	33,998
Tuition and Fees	246,065	50,636	0	0	296,701
Extracurricular Activities	0	0	0	2,362	2,362
Gifts and Donations	0	3,424	0	21,974	25,398
Customer Services	301,265	0	0	0	301,265
Miscellaneous	7,260	0	0	0	7,260
Total Revenues	<u>1,975,381</u>	<u>130,305</u>	<u>0</u>	<u>24,336</u>	<u>2,130,022</u>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	47,527	0	0	0	47,527
Special	614,648	146,658	0	0	761,306
<b>Support Services:</b>					
Pupils	504,357	7,167	0	0	511,524
Instructional Staff	329,680	46,199	14,150	24,332	414,361
Board of Education	5,619	0	0	0	5,619
Administration	121,846	7,651	0	0	129,497
Fiscal	288,368	194	0	0	288,562
Operation and Maintenance of Plant	25,172	0	0	0	25,172
Central	11,830	0	0	0	11,830
Extracurricular activities	0	0	0	2,782	2,782
Total Expenditures	<u>1,949,047</u>	<u>207,869</u>	<u>14,150</u>	<u>27,114</u>	<u>2,198,180</u>
Excess of Revenues					
Over (Under) Expenditures	26,334	(77,564)	(14,150)	(2,778)	(68,158)
Fund Balance at Beginning of Year - (Restated Note 3)	<u>190,656</u>	<u>47,262</u>	<u>14,150</u>	<u>9,429</u>	<u>261,497</u>
<b>Fund Balance at End of Year</b>	<u><u>\$216,990</u></u>	<u><u>(\$30,302)</u></u>	<u><u>\$0</u></u>	<u><u>\$6,651</u></u>	<u><u>\$193,339</u></u>

*The notes to the financial statements are an integral part of this statement.*

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**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue		
	Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
Intergovernmental	\$1,464,924	\$1,386,793	(\$78,131)	\$70,858	\$76,245	\$5,387
Interest	33,998	33,998	0	0	0	0
Tuition and Fees	235,000	243,664	8,664	98,000	50,636	(47,364)
Extracurricular Activities	0	0	0	0	0	0
Gifts and Donations	0	0	0	3,424	3,424	0
Customer Services	315,405	306,301	(9,104)	0	0	0
Miscellaneous	6,000	24	(5,976)	0	0	0
<b>Total Revenues</b>	<b>2,055,327</b>	<b>1,970,780</b>	<b>(84,547)</b>	<b>172,282</b>	<b>130,305</b>	<b>(41,977)</b>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	50,901	48,829	2,072	0	0	0
Special	787,988	629,793	158,195	138,240	131,858	6,382
Other	0	0	0	0	0	0
<b>Support Services:</b>						
Pupils	530,832	498,583	32,249	14,283	12,614	1,669
Instructional Staff	421,439	339,019	82,420	69,569	42,086	27,483
Board of Education	12,500	6,294	6,206	0	0	0
Administration	144,963	116,946	28,017	8,005	7,651	354
Fiscal	366,180	299,835	66,345	194	194	0
Operation and Maintenance of Plant	41,000	27,403	13,597	0	0	0
Central	28,310	14,144	14,166	0	0	0
Extracurricular activities	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>2,384,113</b>	<b>1,980,846</b>	<b>403,267</b>	<b>230,291</b>	<b>194,403</b>	<b>35,888</b>
Excess of Revenues Over (Under) Expenditures	(328,786)	(10,066)	318,720	(58,009)	(64,098)	(6,089)
<b>Other Financing Sources and Uses</b>						
Refund of Prior Year Expenditures	186	186	0	0	0	0
Advances In	4,153	4,153	0	0	89,674	89,674
Refund of Prior Year Receipts	0	0	0	(3,453)	(3,453)	0
Advances Out	(93,715)	(93,715)	0	(1,403)	(1,403)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(89,376)</b>	<b>(89,376)</b>	<b>0</b>	<b>(4,856)</b>	<b>84,818</b>	<b>89,674</b>
Excess of Rev and Other over Exp and Other	(418,162)	(99,442)	318,720	(62,865)	20,720	83,585
Fund Balances at Beginning of Year	474,856	474,856	0	45,338	45,338	0
Prior Year Encumbrances Appropriated	10,281	10,281	0	4,302	4,302	0
<b>Fund Balance at End of Year</b>	<b>\$66,975</b>	<b>\$385,695</b>	<b>\$318,720</b>	<b>(\$13,225)</b>	<b>\$70,360</b>	<b>\$83,585</b>

The notes to the financial statements are an integral part of this statement.

Capital Projects			Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,500	2,363	(137)
0	0	0	31,717	21,973	(9,744)
0	0	0	160	0	(160)
0	0	0	0	0	0
0	0	0	34,377	24,336	(10,041)
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	44	0	44
0	0	0	0	0	0
21,029	14,359	6,670	40,833	26,648	14,185
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	3,012	2,806	206
21,029	14,359	6,670	43,889	29,454	14,435
(21,029)	(14,359)	6,670	(9,512)	(5,118)	4,394
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
(21,029)	(14,359)	6,670	(9,512)	(5,118)	4,394
13,829	13,829	0	9,512	9,512	0
530	530	0	2,266	2,266	0
<b>(\$6,670)</b>	<b>\$0</b>	<b>\$6,670</b>	<b>\$2,266</b>	<b>\$6,660</b>	<b>\$4,394</b>

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<b>Operating Revenues:</b>			
Sales	\$13,395	\$0	\$13,395
<b>Total Operating Revenues</b>	<u>13,395</u>	<u>0</u>	<u>13,395</u>
<b>Operating Expenses:</b>			
Purchased Services	9,087	335	9,422
Materials and Supplies	3,941	465	4,406
Total Operating Expenses	<u>13,028</u>	<u>800</u>	<u>13,828</u>
Operating Income (Loss)	<u>367</u>	<u>(800)</u>	<u>(433)</u>
Net Income (Loss)	367	(800)	(433)
Retained Earnings at Beginning of Year	<u>7,608</u>	<u>2,307</u>	<u>9,915</u>
<b>Retained Earnings at End of Year</b>	<u><b>\$7,975</b></u>	<u><b>\$1,507</b></u>	<u><b>\$9,482</b></u>

*The notes to the financial statements are an integral part of this statement.*

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Proprietary Fund Types</b>		<b>Totals Memorandum Only</b>
	<b>Enterprise</b>	<b>Internal Service</b>	
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Sales	\$13,395	\$0	\$13,395
Cash Pmts. to Suppliers for Goods & Service	(3,941)	(465)	(4,406)
Cash Payments for Contract Services	(8,537)	(335)	(8,872)
Net Cash Provided by (Used for) Operating Activities	<u>917</u>	<u>(800)</u>	<u>117</u>
Net Increase (Decrease) in Cash and Cash Equivalents	917	(800)	117
Cash & Cash Equivalents at Beginning of Year	<u>7,608</u>	<u>2,307</u>	<u>9,915</u>
<b>Cash &amp; Cash Equivalents at End of Year</b>	<u><u>\$8,525</u></u>	<u><u>\$1,507</u></u>	<u><u>\$10,032</u></u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
<b>Operating Income (Loss)</b>	\$367	(\$800)	(\$433)
<b>Increase (Decrease) in Liabilities:</b>			
Accounts Payable	<u>550</u>	<u>0</u>	<u>550</u>
Total Adjustments	<u>550</u>	<u>0</u>	<u>550</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$917</u></u>	<u><u>(\$800)</u></u>	<u><u>\$117</u></u>

*The notes to the financial statements are an integral part of this statement.*

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

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

The Logan County Educational Service Center (the "Educational Service Center") is located in Bellefontaine, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to Benjamin Logan, Riverside, and Indian Lake Local School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Logan County Educational Service Center is operated under a locally-elected Board form of government consisting of five members at-large for staggered four year terms. The Educational Service Center has 29 support staff employees and 28 certified teaching personnel that provide service to the local school districts.

**A. Primary Government**

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Educational Service Center, this includes general operations and student related activities of the Educational Service Center.

**B. Component Units**

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. The Educational Service Center does not have any component units.

**C. Jointly Governed Organizations and Insurance Purchasing Pool**

The Educational Service Center is associated with several organizations, which are defined as jointly governed organizations and one public entity risk pool. These organizations include the Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, the East WOCO Telecommunity Consortium, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are discussed in Notes 17 and 18 to the general purpose financial statements.

**D. Fiscal Agent Services**

The Center serves as fiscal agent for the East WOCO Telecommunity Consortium, a jointly governed organization for the Center. The Center also is the cash conduit for various grant funds belonging to the three school districts within the County. Accordingly, this activity is presented as agency funds within the Center's financial statements.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Logan County 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 proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the Educational Service Center are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

**Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the Educational Service Center are financed. The acquisition, use, and balances of the Educational Service Center's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the Educational Service Center's governmental fund types:

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

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

**Proprietary Fund Types:**

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**A. Basis Of Presentation - Fund Accounting (Continued)**

**Proprietary Fund Types: (Continued)**

**Enterprise Fund** - The enterprise fund is used to account for Educational Service Center activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Internal Service Fund** - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Educational Service Center on a cost reimbursement basis.

**Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Educational Service Center's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** - This account group is established to account for all fixed assets of the Educational Service Center, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group** - This account group is established to account for all long-term obligations of the Educational Service Center except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**B. Measurement Focus and Basis of Accounting (Continued)**

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

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

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

**C. Budgetary Process**

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

The Educational Service Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include actual beginning of the fiscal year fund balance and are accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Education Service Center the amount from part (B) that is to be appropriated to their district.

**Appropriations:**

The annual appropriation measure is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources, and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of the Educational Service Center.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**C. Budgetary Process (Continued)**

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**Encumbrances:**

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

**Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Investment earnings are allocated as authorized by State statute. Following Ohio Statutes, the Education Service Center allocates all interest earnings to the General Fund. Interest revenue in fiscal year 1999 totaled \$33,998, which includes \$12,119 assigned from other funds..

For presentation on the combined statement, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

**E. Estimates**

The preparation of the 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 could differ from those estimates.

**F. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not have any infrastructure.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**F. Fixed Assets and Depreciation (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

**G. Intergovernmental Revenues**

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

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

- Entitlements
  - General Fund
    - State Foundation Program
- Non-Reimbursable Grants
  - Special Revenue Funds
    - Reading Recovery
    - Local Professional Development
    - Education Management Information Systems
    - Entry Year Programs
    - TOPS Grant
    - Eisenhower Grant
    - Preventative Health
    - Drug-Free Grant
    - Miscellaneous State Grants
  - Capital Projects
    - School Net Grant

Grants and entitlements amounted to approximately 72 percent of the Educational Service Center's operating revenue during the 1999 fiscal year.

**Flow-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed-through or spent on behalf of the school districts within the County. When the 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 1999, these funds included Eisenhower and Drug Free special revenue funds. Grants in which the Center has no financial or administrative role and are passed-through to the school districts in the county are reported in an agency fund.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**H. 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 as liability accumulated unused vacation leave time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after twenty years of current service with Educational Service Center, or after fifteen years of service and at least forty five years of age, or after five years of service and at least fifty years of age.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

**I. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have been paid using current available financial available financial resources.

**J. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**K. Fund Balance Reserves**

The Educational Service Center records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**L. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY**

The SchoolNet Telecommunity Grant Fund has been reclassified from a capital projects fund to an agency fund to properly reflect the Center's fiduciary responsibilities.

The effect of these changes on the excess of revenues and other financing sources over(under) expenditures and other uses for governmental funds as previously reported for the year ended June 30,1998, for the capital projects fund type are as follows:

	<b><u>Capital Projects</u></b>
Excess of Revenues Over Expenditures as previously reported	\$165,156
Restatement of fund types	<u>(180,000)</u>
Restated amounts for the year ended June 30,1998	<u><u>\$( 14,844)</u></u>

The changes had the following effect on the fund balance as it was previously reported as of June 30,1998:

	<b><u>Capital Projects</u></b>
Fund Balance as Previously Reported	\$194,150
Restatement of fund types	<u>(180,000)</u>
Restatement as of June 30, 1998	<u><u>\$ 14,150</u></u>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

At June 30, 1999, the Alternative School fund has (had) a deficit fund balance of \$ 77,564 which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types and Expendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budget Basis	(\$99,442)	\$20,720	(\$14,359)	(\$5,118)
Adjustments for:				
Revenue Accruals	4,601	0	0	0
Expenditure Accruals	10,149	(18,023)	209	1,815
Other Sources/Uses	89,376	(84,818)	0	0
Encumbrances	21,650	4,557	0	525
GAAP Basis	<u>\$26,334</u>	<u>(\$77,564)</u>	<u>(\$14,150)</u>	<u>(\$2,778)</u>

**NOTE 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)**

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.

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

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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, 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 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$632,968 and the bank balance was \$836,008. Of the bank balance, \$300,000 was covered by federal depository insurance and \$536,008 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 7 - STATE FUNDING**

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

Part (B) of the budget is provided by the school districts to which the Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Educational Service Center by \$34. This amount is provided from State resources.

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

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999, consisted of accounts (excess costs) and interfund. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**NOTE 9 - FIXED ASSETS**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Furniture and Equipment	\$73,973	\$20,799	\$0	\$94,772

**NOTE 10 - RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the Educational Service Center contracted with Nationwide Insurance for general liability insurance. Property is also protected by Nationwide Insurance. Coverage's provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$250 deductible)	\$ 193,000
Automobile Liability	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Employee Benefit Liability	100,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 10 - RISK MANAGEMENT (Continued)**

**A. Property and Liability (Continued)**

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

**B. Health Insurance**

The Education Service Center participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Logan County Educational Service Center. The Service Center pays monthly premiums to the Plan for employee medical benefits. The Center is responsible for the payment of all Plan liabilities for its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**C. Workers' Compensation**

For fiscal year 1999, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the Educational Service Center pays an enrollment fee to the plan to cover the costs of administering the program.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Logan County Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SERS, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 1999, 7.7 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1998, 9.02 percent was the portion 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.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$40,185, \$49,784, and \$30,972, respectively; 100 percent has been contributed for the fiscal years 1999, 1998 and 1997.

**B. State Teachers Retirement System**

The State Teachers Retirement System of Ohio (STRS) is a cost-sharing, multiple-employer public employee retirement system. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. Benefits are established by Chapter 3307, of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999, were 9.3 percent of covered payroll for members and 14 percent for employers; 6 percent was the portion used to fund pension obligations for fiscal year 1999. For the fiscal year 1998, 10.5 percent was the fund portion to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$ 97,234, \$146,141, and \$153,317, respectively; none has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the Boards have discretionary authority over how much, if any, of the health care costs will be absorbed by STRS and SERS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. Both systems are funded on a pay-as-you-go basis.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. For the Center, this amount equaled \$129,646 during fiscal year 1999. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the employer's 6.3 percent contribution is allocated to providing health care benefits. For June 30, 1998, the allocation rate was 4.98 percent. 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 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the Center, the amount to fund health care benefits, including surcharge, was \$40,441 for fiscal year 1999.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits were \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .3557, then adding the surcharge due as of June 30, 1999, as certified to your district by SERS.

**NOTE 13 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. All twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time does carry beyond the contract year in which it is earned. Accumulated, unused vacation time is paid to administrators upon termination of employment if negotiated with the Board of Education. Teachers do not earn vacation time. All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract year in which it is earned.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for 22.5 percent of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

**B. Life Insurance**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Anthem Blue Cross and Blue Shield.

**C. Health Insurance**

The Education Service Center participates in the Logan County Schools Benefit Plan Association (the Plan); a public entity shared risk pool consisting of one local school district, one joint vocational school district and the Logan County Educational Service Center. The Service Center pays monthly premiums to the Plan for employee medical benefits. The Center is responsible for the payment of all Plan liabilities for its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during fiscal year 1999 were as follows:

	<u>Balance at 07/01/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 06/30/99</u>
Pension Obligation	\$5,650	\$1,912	\$0	\$7,562
Compensated Absences	52,353	0	3,428	48,925
Total Long-Term Obligations	<u>\$58,003</u>	<u>\$1,912</u>	<u>\$3,428</u>	<u>\$56,487</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables Interfund</u>	<u>Payables Interfund</u>
General Fund	\$93,715	\$0
Special Revenue Funds	0	\$88,271
Trust Funds	0	5,444
Total All Funds	<u>\$93,715</u>	<u>\$93,715</u>

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Educational Service Center maintains one enterprise fund to account for the uniform school supplies sold through the Saturday Enrichment Program. The table below reflects the more significant financial data relating to the enterprise fund of the Logan County Educational Service Center as of and for the fiscal year ended June 30, 1999.

	<u>Rotary Fund Special Services</u>
Operating Revenues	\$13,395
Operating Income	367
Net Income	367
Net Working Capital	7,975
Total Assets	8,525
Total Liabilities	550
Total Equity	7,975

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Western Ohio Computer Organization* - The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. 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 school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent upon the software package utilized. The governing board of WOCO consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of the joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Sharon Waldsmith, who serves as the fiscal agent, at 129 East Court Street, 4<sup>th</sup> Floor, Sidney, Ohio 45365.

*Ohio Hi-Point Joint Vocational School District* - The Ohio Hi-Point Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, Eric Addlesberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

*East WOCO Telecommunity Consortium* - The East WOCO Telecommunity Consortium was formed by member schools who are located in the eastern side of the Western Ohio Computer Organization (WOCO), the state data acquisition site for this region. The East WOCO Telecommunity represents eleven public school districts and one joint vocational school.

Originally formed in order to provide a network of technology resources, the consortium provided a natural foundation for the development of a telecommunity project which is sponsored by the Center. The East WOCO Telecommunity intends to restructure the teaching and learning process to emphasize student-centered learning whereby students work with teachers collaboratively to generate questions and problems, learning goals and self assessments.

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**NOTE 19- SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the Center received \$1,322,762 of school foundation support for its general fund.



**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 19- SCHOOL FUNDING DECISION (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "through and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 20- CONTINGENCIES**

**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 are 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, 1999.

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

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

Educational Service Center  
Logan County  
121 Opera Street  
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited the financial statements of the Logan County Educational Service Center (the Center), Logan County, Ohio, as of and for the year ended June 30, 1999, and have issued our report thereon dated March 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Center in a separate letter dated March 8, 2000.

### Internal Control Over Financial Reporting

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

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

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

**JIM PETRO**  
Auditor of State

March 8, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**LOGAN EDUCATIONAL SERVICE CENTER**

**LOGAN 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 11, 2000**