



WOOD COUNTY EDUCATIONAL SERVICE CENTER

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

WOOD COUNTY EDUCATIONAL SERVICE CENTER

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REPORT OF INDEPENDENT ACCOUNTANTS

Wood County Educational Service Center
639 South Dunbridge Road
Bowling Green, Ohio 43402-9086

To the Board of Education:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the ESC, as of June 30, 2000, and the results of its operations 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 December 6, 2000 on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the ESC, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 6, 2000

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WOOD COUNTY EDUCATIONAL SERVICE CENTER

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types	
	General	Special Revenue
ASSETS AND OTHER DEBITS:		
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$3,037,472	\$442,104
Receivables:		
Accounts	4,363	1,194
Intergovernmental	97,137	27,604
Accrued Interest	47,798	
Prepaid Items	52,323	4,845
Advances to Other Funds	2,395	
Fixed Assets		
Other Debits:		
Amount to be Provided from General Governmental Resources		
Total Assets and Other Debits	\$3,241,488	\$475,747
LIABILITIES, FUND EQUITY, AND OTHER CREDITS:		
Liabilities:		
Accounts Payable	\$9,341	\$15,513
Accrued Wages and Benefits	716,855	38,294
Compensated Absences Payable	58,247	632
Intergovernmental Payable	137,392	10,470
Advances from Other Funds		2,395
Total Liabilities	921,835	67,304
Fund Equity and Other Credits:		
Investment in General Fixed Assets		
Fund Balance:		
Reserved for Advances	2,395	
Reserved for Encumbrances	82,556	162,280
Unreserved	2,234,702	246,163
Total Fund Equity and Other Credits	2,319,653	408,443
Total Liabilities, Fund Equity, and Other Credits	\$3,241,488	\$475,747

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

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$2,395			\$3,481,971
			5,557
			124,741
			47,798
			57,168
			2,395
	\$723,124		723,124
		\$408,203	408,203
\$2,395	\$723,124	\$408,203	\$4,850,957
			\$24,854
			755,149
		\$345,276	404,155
		62,927	210,789
			2,395
		408,203	1,397,342
	\$723,124		723,124
			2,395
\$2,395			244,836
			2,483,260
2,395	723,124		3,453,615
\$2,395	\$723,124	\$408,203	\$4,850,957

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Revenues:				
Intergovernmental	\$2,260,748	\$1,780,362		\$4,041,110
Interest	207,999		\$130	208,129
Rent	5,500			5,500
Customer Services	6,028,160	32,028		6,060,188
Extracurricular Activities	5,062	10,005		15,067
Gifts and Donations	4,090	8,400		12,490
Miscellaneous	115,132	3,589		118,721
Total Revenues	<u>8,626,691</u>	<u>1,834,384</u>	<u>130</u>	<u>10,461,205</u>
Expenditures:				
Current:				
Instruction:				
Regular	334,066	499,387		833,453
Special	3,751,154	49,831		3,800,985
Adult/Continuing		133,733		133,733
Support Services:				
Pupils	1,431,472	48,899		1,480,371
Instructional Staff	1,904,079	88,627		1,992,706
Board of Education	25,459			25,459
Administration	666,624	66,699		733,323
Fiscal	231,918	4,538		236,456
Operation and Maintenance of Plant	2,185			2,185
Pupil Transportation	47,601			47,601
Central	148,106			148,106
Non-Instructional Services	15,799	330		16,129
Intergovernmental	0	646,474		646,474
Total Expenditures	<u>8,558,463</u>	<u>1,538,518</u>	<u>130</u>	<u>10,096,981</u>
Excess of Revenues Over Expenditures	<u>68,228</u>	<u>295,866</u>	<u>130</u>	<u>364,224</u>
Other Financing Sources (Uses):				
Operating Transfers In		17,418		17,418
Operating Transfers Out		(17,418)		(17,418)
Total Other Financing Sources (Uses)				
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>68,228</u>	<u>295,866</u>	<u>130</u>	<u>364,224</u>
Fund Balances at Beginning of Year	<u>2,251,425</u>	<u>112,577</u>	<u>2,265</u>	<u>2,366,267</u>
Fund Balances at End of Year	<u>\$2,319,653</u>	<u>\$408,443</u>	<u>\$2,395</u>	<u>\$2,730,491</u>

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

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$1,998,235	\$2,263,617	\$265,382
Interest	165,000	166,252	1,252
Rent	5,500	5,500	
Customer Services	6,144,355	6,044,776	(99,579)
Extracurricular Activities	5,062	5,062	
Gifts and Donations	4,240	4,165	(75)
Miscellaneous	89,716	89,716	
Total Revenues	8,412,108	8,579,088	166,980
Expenditures:			
Current:			
Instruction:			
Regular	345,555	341,951	3,604
Special	3,915,847	3,810,795	105,052
Adult/Continuing			
Support Services:			
Pupils	1,439,546	1,436,445	3,101
Instructional Staff	1,920,611	1,900,095	20,516
Board of Education	27,192	26,959	233
Administration	688,553	685,069	3,484
Fiscal	243,614	242,788	826
Operation and Maintenance of Plant	2,185	2,185	
Pupil Transportation	49,651	48,683	968
Central	154,470	154,470	
Non-Instructional Services	15,799	15,799	
Total Expenditures	8,803,023	8,665,239	137,784
Excess of Revenues Over (Under) Expenditures	(390,915)	(86,151)	304,764
Other Financing Sources (Uses):			
Other Financing Sources	18,063	18,068	5
Operating Transfers In			
Operating Transfers Out			
Refund of Prior Year Expenditures	4,892	4,918	26
Refund of Prior Year Receipts	(15,988)	(13,988)	2,000
Total Other Financing Sources (Uses)	6,967	8,998	2,031
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(383,948)	(77,153)	306,795
Fund Balances at Beginning of Year	2,866,005	2,866,005	
Prior Year Encumbrances Appropriated	52,421	52,421	
Fund Balances at End of Year	\$2,534,478	\$2,841,273	\$306,795

(Continued)

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$2,110,515	\$1,768,779	(\$341,736)
Interest			
Rent			
Customer Services	35,440	34,272	(1,168)
Extracurricular Activities	10,005	10,005	
Gifts and Donations	8,400	8,400	
Miscellaneous		1,553	1,553
Total Revenues	<u>2,164,360</u>	<u>1,823,009</u>	<u>(341,351)</u>
Expenditures:			
Current:			
Instruction:			
Regular	875,894	525,989	349,905
Special	576,761	562,638	14,123
Adult/Continuing	156,554	136,629	19,925
Support Services:			
Pupils	173,772	119,651	54,121
Instructional Staff	279,170	180,461	98,709
Board of Education			
Administration	86,903	69,982	16,921
Fiscal	4,671	4,533	138
Operation and Maintenance of Plant	3,000	3,000	
Pupil Transportation	42,500	42,500	
Central	35,386	29,250	6,136
Non-Instructional Services	39,974	39,704	270
Total Expenditures	<u>2,274,585</u>	<u>1,714,337</u>	<u>560,248</u>
Excess of Revenues Over (Under) Expenditures	<u>(110,225)</u>	<u>108,672</u>	<u>218,897</u>
Other Financing Sources (Uses):			
Other Financing Sources	750	842	92
Operating Transfers In	17,418	17,418	
Operating Transfers Out	(17,418)	(17,418)	
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Total Other Financing Sources (Uses)	<u>750</u>	<u>842</u>	<u>92</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(109,475)</u>	<u>109,514</u>	<u>218,989</u>
Fund Balances at Beginning of Year	134,578	134,578	
Prior Year Encumbrances Appropriated	13,271	13,271	
Fund Balances at End of Year	<u>\$38,374</u>	<u>\$257,363</u>	<u>\$218,989</u>

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

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$4,108,750	\$4,032,396	(\$76,354)
\$128	\$130	\$2	165,128	166,382	1,254
			5,500	5,500	
			6,179,795	6,079,048	(100,747)
			15,067	15,067	
			12,640	12,565	(75)
			89,716	91,269	1,553
<u>128</u>	<u>130</u>	<u>2</u>	<u>10,576,596</u>	<u>10,402,227</u>	<u>(174,369)</u>
			1,221,449	867,940	353,509
			4,492,608	4,373,433	119,175
			156,554	136,629	19,925
150		150	1,613,318	1,556,096	57,222
			2,199,931	2,080,556	119,375
			27,192	26,959	233
			775,456	755,051	20,405
			248,285	247,321	964
			5,185	5,185	
			92,151	91,183	968
			189,856	183,720	6,136
			55,773	55,503	270
<u>150</u>		<u>150</u>	<u>11,077,758</u>	<u>10,379,576</u>	<u>698,182</u>
(22)	130	152	(501,162)	22,651	523,813
			18,813	18,910	97
			17,418	17,418	
			(17,418)	(17,418)	
			4,892	4,918	26
			(15,988)	(13,988)	2,000
			<u>7,717</u>	<u>9,840</u>	<u>2,123</u>
(22)	130	152	(493,445)	32,491	525,936
2,265	2,265		3,002,848	3,002,848	
			65,692	65,692	
<u>\$2,243</u>	<u>\$2,395</u>	<u>\$152</u>	<u>\$2,575,095</u>	<u>\$3,101,031</u>	<u>\$525,936</u>

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WOOD COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE 1 - REPORTING ENTITY

The Wood County Educational Service Center (the Educational Service Center) is located in Bowling Green, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Eastwood, Elmwood, Lake, Northwood, North Baltimore, and Otsego Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Bowling Green 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 Wood County Educational Service Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Educational Service Center has four administrators, one hundred sixty-two classified employees, and one hundred sixty-nine certified employees 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 that 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 Wood County Educational Service Center, this includes general operations and student-related activities.

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 Wood County Educational Service Center.

The Educational Service Center is associated with three jointly governed organizations and two insurance pools. These organizations are the Penta County Joint Vocational School, the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Wood County Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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. Following are the more significant of the Educational Service Center's accounting policies.

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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 Educational Service Center 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 of 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 that are legally restricted to expenditure for specified purposes.

Fiduciary Fund Type:

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 fund is an expendable trust fund, which is accounted for in essentially the same manner as governmental funds.

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.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the Educational Service Center.

WOOD COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000 (Continued)

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 the expendable trust fund 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.

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

The modified accrual basis of accounting is followed for the governmental fund types and expendable trust fund. 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: grants, interest, rent, 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.

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 for all funds 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 and accepted by the Board to include any unencumbered cash balances from the preceding fiscal year. The estimated resources 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 expenditures 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 Department of Education reviews the budget and certifies to each Board of Education, under the supervision of the Educational Service Center, the amount from part (B) that is to be apportioned to their school district.

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Appropriations:

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center.

The appropriation resolution, by fund, must be within the estimated resources, and the total of 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 Educational Service Center's Board.

The Educational Service Center may pass supplemental fund appropriations as 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 statement 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 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 fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures.

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 Investments

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to nonnegotiable certificates of deposit, repurchase agreements, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

The Educational Service Center has allocated interest according to Ohio statutes. Interest revenue credited to the General Fund during fiscal year 2000 was \$207,999, which included \$19,770 assigned from other Educational Service Center funds.

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

For presentation on the combined balance sheet, 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 considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which the services are consumed.

F. Fixed Assets

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 reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Educational Service Center maintains a capitalization threshold of two hundred fifty dollars. The Educational Service Center does not have any infrastructure.

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. Interfund Assets/Liabilities

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.

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 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, 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 employees who have five years of service with the Educational Service Center and were hired prior to May 1996, or ten years of service for all other employees.

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

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(Continued)

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 contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources.

J. Fund Balance Reserves

The Educational Service Center records reservations for portions of fund equity 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 of fund equity which is available for appropriation in future periods. A fund equity reserve has been established for encumbrances and advances.

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues 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

Autism

Community Centers

Contextual Learning

Reading Recovery

Local Professional Development

Training Ohio's Parents for Success

Education Management Information Systems

SchoolNet

Ohio Reads

Alternative School

Bureau of Criminal Identification and Investigation

RPDC Technology

Reading Mentoring

Private Industry Council

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(Continued)**

Eisenhower
Title VI-B
Parent Mentor
Title I
Drug Free
Preschool
Goals 2000
Technical Assistance

Grants and entitlements amounted to approximately 39 percent of the revenues of the Educational Service Center's governmental fund types during the 2000 fiscal year.

L. 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 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 2000, these funds included the Eisenhower, Title VI-B, Drug Free, and Preschool special revenue funds.

M. Interfund Transactions

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

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

N. 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.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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 - 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,

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types		
	General	Special Revenue
GAAP Basis	\$68,228	\$295,866
<u>Increase (Decrease) Due to:</u>		
Revenue Accruals:		
Accrued FY 1999, Received in Cash FY 2000	124,681	18,265
Accrued FY 2000, Not Yet Received in Cash	(149,298)	(28,798)
Expenditure Accruals:		
Accrued FY 1999, Paid in Cash FY 2000	(906,331)	(55,763)
Accrued FY 2000, Not Yet Paid in Cash	921,835	64,909
Cash Adjustments:		
Unrecorded Activity FY 1999	64,727	2,630
Unrecorded Activity FY 2000	(104,726)	(8,648)
Prepaid Items	(4,796)	(2,854)
Encumbrances Outstanding at Year End (Budget Basis)	(91,473)	(176,093)
Budget Basis	(\$77,153)	\$109,514

NOTE 4 - 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.

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(Continued)**

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings 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 the 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

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.

At fiscal year end, the Educational Service Center had \$50 in undeposited cash on hand which is included on the balance sheet of the Educational Service Center as part of "Equity in Pooled Cash and Cash Equivalents".

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 \$1,475,305 and the bank balance was \$1,763,673. Of the bank balance, \$1,613,673 was covered by federal depository insurance and \$150,000 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance 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 an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$954,185.

	Category 3	Carrying Amount	Fair Value
Repurchase Agreement	\$1,052,431	\$1,052,431	\$1,052,611
STAR Ohio		954,185	954,185
Totals		\$2,006,616	\$2,006,796

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

	Cash and Cash Equivalents/ Deposits	<u>Investments</u>
GASB Statement No. 9	\$3,481,971	
Cash on Hand	(50)	
Investments:		
Repurchase Agreement	(1,052,431)	\$1,052,431
STAR Ohio	(954,185)	954,185
GASB Statement No. 3	<u>\$1,475,305</u>	<u>\$2,006,616</u>

NOTE 5 - 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 Educational Service 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 School Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$36. 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 School Foundation Program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of accounts (billings for user charged services), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. Accounts receivable at June 30, 2000, were \$5,557. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Customer Services/Tuition	\$78,146
Ohio Department of MRDD	17,819
Elmwood	75
Reimbursement	1,097
Total General Fund	<u>97,137</u>

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FOR THE FISCAL YEAR ENDED JUNE 30, 2000
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	<u>Amounts</u>
Special Revenue Funds	
Community Centers	12,310
Alternative School	2,108
Private Industry Council	13,186
Total Special Revenue Funds	<u>27,604</u>
Total Intergovernmental Receivables	<u>\$124,741</u>

NOTE 7 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/00</u>
Furniture, Fixtures, and Equipment	<u>\$573,295</u>	<u>\$214,152</u>	<u>\$64,323</u>	<u>\$723,124</u>

NOTE 8 - INTERFUND ACTIVITY

At June 30, 2000, the General Fund had an advance to other funds and the Public School Support special revenue fund had an advance from other funds, in the amount of \$2,395.

NOTE 9 - 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 2000, the Educational Service Center contracted for the following insurance coverages.

Coverages provided by Indiana Insurance:	
Commercial Property (\$250 deductible)	\$858,048
Coverages provided by Nationwide Insurance:	
General Liability	
Per Occurrence	1,000,000
Aggregate	5,000,000
Umbrella Liability Insurance	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.

The Educational Service Center participates in the Wood County Insurance Consortium (WCIC), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The Educational Service Center pays monthly premiums to the WCIC for medical and dental benefits. WCIC is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the WCIC, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2000, 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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

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.

NOTE 10 - 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, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. 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 to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$299,278, \$277,492, and \$444,507, respectively; 88 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$35,533, is recorded as a liability within the respective funds.

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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 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

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000 (Continued)

for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$92,019, \$98,404, and \$92,712, respectively; 87 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$11,968, is recorded as a liability within the respective funds and the general long-term obligations account group.

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, 2000, one of the Board of Education members has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By 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 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$399,037 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the Educational Service Center, the amount to fund health care benefits, including the surcharge, was \$205,138 for fiscal year 2000.

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, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Employees who work year round earn ten days of vacation per fiscal year, after one year 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 200 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of forty-seven days for all employees.

B. Health Care Benefits

The Educational Service Center offers medical and dental benefits to full-time employees through the Wood County Insurance Consortium (WCIC). The Educational Service Center also offers life insurance to all employees through the Travelers Insurance Company.

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the Educational Service Center's long-term obligations during fiscal year 2000 were as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Compensated Absences Payable	\$381,756		\$36,480	\$345,276
Intergovernmental Payable	33,612	\$62,927	33,612	62,927
Total General Long-Term Obligations	<u>\$415,368</u>	<u>\$62,927</u>	<u>\$70,092</u>	<u>\$408,203</u>

Compensated absences and intergovernmental payables, representing the Educational Service Center's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

A. Penta County Joint Vocational School

The Penta County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of eleven members from the participating School Districts' elected Boards. Board members are appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers, one each from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta County Joint Vocational School, Carrie Herringshaw, who serves as Treasurer, 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

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B. Northwest Ohio Computer Association

The Educational Service Center is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. 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 NWOCA Assembly consists of a superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Cindy Siler, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

C. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 15 - INSURANCE POOLS

A. Wood County Insurance Consortium

The Wood County Insurance Consortium (WCIC) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. WCIC is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the WCIC.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the WCIC is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Elaine Shafley, CoreSource, P.O. Box 6118, Westerville, Ohio 43086-6118.

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

The Educational Service Center participates in a group rating plan for workers' 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.

WOOD COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2000 (Continued)

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 participants pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 16 - STATE 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 the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the Educational Service Center. During the fiscal year ended June 30, 2000, the Educational Service Center received \$1,996,198 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

NOTE 17 - CONTINGENT LIABILITIES

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, 2000.

B. Litigation

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

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WOOD COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Project/Contract Number	Receipts	Disburse- ments
UNITED STATES DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education-Grants to State	84.027	050666-6B-SF-99P		\$683
		050666-6B-SF-00P	\$477,747	470,786
		050666-6B-PM-99		3,233
		050666-6B-PM-00	25,000	19,744
			<u>502,747</u>	<u>494,446</u>
Special Education-Preschool Grants	84.173	050666-PG-S1-99P		29,735
		050666-PG-S1-00P	85,320	68,063
			<u>85,320</u>	<u>97,798</u>
Total Special Education Cluster			<u>588,067</u>	<u>592,244</u>
Title I Grants to Local Education Agencies	84.010	050666-C1-SD-00	43,684	43,684
Eisenhower Professional Development State Grants	84.281	050666-MS-S1-98		15,295
		050666-MS-S1-99	27,955	9,862
			<u>27,955</u>	<u>25,157</u>
Safe and Drug Free Schools and Communities	84.186	050666-DR-S1-00	39,374	39,374
Goals 2000-State and Local Education Systemic Improvement Grants	84.276	050666-G2-SP-2000	64,000	22,900
		050666-G2-S9-2000	5,000	4,983
			<u>69,000</u>	<u>27,883</u>
Total Department of Education			<u>768,080</u>	<u>728,342</u>
UNITED STATES DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
National School Lunch Program	10.555	n/a	11,120	11,120
UNITED STATES DEPARTMENT OF LABOR				
<i>Passed Through Toledo Area Private Industry Council:</i>				
Job Training Partnership Act	17.250	110-32-98	138,527	136,503
		110-22-98	7,095	16,068
		110-22-99	124,893	123,218
Total Toledo Area Private Industry Council			<u>270,515</u>	<u>275,789</u>
<i>Passed Through Wood County Commissioners</i>				
Job Training Partnership Act	17.250	00-1246	13,449	3,747
Total Department of Labor			<u>283,964</u>	<u>279,536</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,063,164</u>	<u>\$1,018,998</u>

The accompanying notes are an integral part of this schedule.

WOOD COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDING JUNE 30, 2000

Schedule of Variances

<u>JTPA - Title II</u>	<u>Private Industry Council</u>	<u>Audit Report</u>	<u>Variance</u>
110-32-98	\$136,503	\$136,503	
110-22-98	16,068	16,068	
110-22-99	123,218	123,218	
	<u>\$275,789</u>	<u>\$275,789</u>	
	<u>Wood County</u>	<u>Audit Report</u>	<u>Variance</u>
00-1246	<u>\$3,747</u>	<u>\$3,747</u>	
Total CFDA # 17.250	<u><u>\$279,536</u></u>	<u><u>\$279,536</u></u>	

WOOD COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDING JUNE 30, 2000

Analysis of Cost Limitations and Budget to Actual

<u>Contract Number / Cost Center</u>		<u>Administration</u>	<u>Direct Training</u>
<hr/>			
110-32-98 / 502-9499			
<hr/>			
Total Allocation	\$214,700	\$8,102	\$206,598
Expenditures:			
Expenditures 7/1/98 - 6/30/99	39,199	2,049	37,150
Expenditures 7/1/99 - 6/30/00	136,503	6,053	130,450
Total Expenditures	<u>175,702</u>	<u>8,102</u>	<u>167,600</u>
Unexpended Funds	<u>\$38,998</u>		<u>\$38,998</u>
Percent of Allocation	18.16%	0.00%	18.88%
Budget			
FY '00 Budget	\$136,503	\$6,053	\$130,450
Percentage Achieved	100.00%	100.00%	100.00%
<hr/>			
110-22-98 / 502-9599			
<hr/>			
Total Allocation	\$131,619	\$1,352	\$130,267
Expenditures:			
Expenditures 7/1/98 - 6/30/99	114,079	1,352	112,727
Expenditures 7/1/99 - 6/30/00	16,068		16,068
Total Expenditures	<u>130,147</u>	<u>1,352</u>	<u>128,795</u>
Unexpended Funds	<u>\$1,472</u>		<u>\$1,472</u>
Percent of Allocation	1.12%	0.00%	1.13%
Budget			
FY '00 Budget	\$16,068		\$16,068
Percentage Achieved	100.00%	0.00%	100.00%

(Continued)

WOOD COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
SUPPLEMENTAL SCHEDULE
FOR THE YEAR ENDING JUNE 30, 2000

Analysis of Cost Limitations and Budget to Actual
(Continued)

<u>Contract Number / Cost Center</u>		<u>Administration</u>	<u>Direct Training</u>
<hr/>			
110-22-98 / 502-9500			
<hr/>			
Total Allocation	\$141,656	\$1,500	\$140,156
Expenditures:			
Expenditures 7/1/99 - 6/30/00	123,218	1,500	121,718
Total Expenditures	<u>123,218</u>	<u>1,500</u>	<u>121,718</u>
Unexpended Funds	<u>\$18,438</u>		<u>\$18,438</u>
Percent of Allocation	13.02%	0.00%	13.16%
Budget			
FY '00 Budget	\$141,656	\$1,500	\$140,156
Percentage Achieved	86.98%	100.00%	86.84%
<hr/>			
110-22-98 / 502-9599			
<hr/>			
Total Allocation	\$13,449		\$13,449
Expenditures:			
Expenditures 7/1/99 - 6/30/00	3,747		3,747
Total Expenditures	<u>3,747</u>		<u>3,747</u>
Unexpended Funds	<u>\$9,702</u>		<u>\$9,702</u>
Percent of Allocation	72.14%	0.00%	72.14%
Budget			
FY '00 Budget	\$13,449		\$13,449
Percentage Achieved	27.86%	0.00%	27.86%

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the ESC's federal award programs. The schedule has been prepared on the cash basis of accounting, except expenditures of assistance passed through the Ohio Bureau of Employment Services Job Training Partnership Programs are presented on an accrual basis.

NOTE B - MATCHING REQUIREMENTS

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

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Wood County Educational Service Center
639 South Dunbridge Road
Bowling Green, Ohio 43402-9086

To the Board of Education:

We have audited the financial statements of the Wood County Educational Service Center (the ESC) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 6, 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 ESC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Jim Petro
Auditor of State

December 6, 2000



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

Wood County Educational Service Center
639 South Dunbridge Road
Bowling Green, Ohio 43402-9086

To the Board of Education:

Compliance

We have audited the compliance of the Wood County Educational Service Center (the ESC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The ESC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the ESC's management. Our responsibility is to express an opinion on the ESC's compliance based on our audit.

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

In our opinion, the ESC complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 6, 2000

WOOD COUNTY EDUCATIONAL SERVICE CENTER

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Job Training Partnership Act - CFDA # 17.250
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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WOOD COUNTY EDUCATIONAL SERVICE CENTER

WOOD 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
DECEMBER 26, 2000**