EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2000-1999

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Educational Service Center
Auglaize County
1045 Dearbaugh Avenue, Suite 2
Wapakoneta, Ohio 45895

To the Governing Board:

We have audited the accompanying general-purpose financial statements of the Educational Service Center, Auglaize County, (the Center) as of and for the years ended June 30, 2000 and 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 Educational Service Center, Auglaize County, as of June 30, 2000 and 1999, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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. 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.

JIM PETRO
Auditor of State

December 18, 2000

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EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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

	Governmental Fund Types			Account Groups		
	General	**Special Revenue**	**Capital Projects**	**General Fixed Assets**	**General Long-Term Obligations**	**Totals (Memorandum Only)**
Assets and Other Debits:						
Assets:						
Equity in Pooled Cash and Cash Equivalents	$539,348	$169,546	$106,404	$0	$0	$815,298
Receivables:						
Accounts	12,241	122	0	0	0	12,363
Intergovernmental	389,092	5,561	0	0	0	394,653
Prepaid Items	24,548	237	0	0	0	24,785
Restricted Assets:						
Cash with Fiscal Agent	0	0	10,108	0	0	10,108
Fixed Assets	0	0	0	1,170,200	0	1,170,200
Other Debits:						
Amount to be Provided from General Governmental Resources	0	0	0	0	239,656	239,656
Total Assets and Other Debits	$965,229	$175,466	$116,512	$1,170,200	$239,656	$2,667,063
Liabilities, Fund Equity and Other Credits:						
Liabilities:						
Accounts Payable	$13,178	$3,223	$0	$0	$0	$16,401
Accrued Wages and Benefits	317,166	2,364	0	0	0	319,530
Compensated Absences Payable	5,140	0	0	0	122,780	127,920
Intergovernmental Payable	250,051	1,229	0	0	20,876	272,156
Liabilities Against Restricted Assets:						
Retainage Payable	0	0	10,108	0	0	10,108
Notes Payable	0	0	0	0	96,000	96,000
Total Liabilities	585,535	6,816	10,108	0	239,656	842,115
Fund Equity and Other Credits:						
Investment in General Fixed Assets	0	0	0	1,170,200	0	1,170,200
Fund Balance:						
Reserved for Encumbrances	199,656	3,974	31,619	0	0	235,249
Unreserved	180,038	164,676	74,785	0	0	419,499
Total Fund Equity and Other Credits	379,694	168,650	106,404	1,170,200	0	1,824,948
Total Liabilities, Fund Equity and Other Credits	$965,229	$175,466	$116,512	$1,170,200	$239,656	$2,667,063

See accompanying notes to the general purpose financial statements

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Revenues:				
Intergovernmental	$2,245,829	$382,418	$0	$2,628,247
Intergovernmental Grant	0	0	312,000	312,000
Interest	56,589	0	0	56,589
Tuition and Fees	171,655	0	0	171,655
Rent	26,271	0	0	26,271
Extracurricular Activities	0	8,255	0	8,255
Gifts and Donations	1,155	0	120,000	121,155
Customer Services	928,972	0	0	928,972
Other	32,535	108	0	32,643
Total Revenues	3,463,006	390,781	432,000	4,285,787
Expenditures:				
Current:				
Instruction:				
Regular	256,158	44,387	0	300,545
Special	1,386,941	7,727	0	1,394,668
Support Services:				
Pupils	940,775	249	0	941,024
Instructional Staff	333,259	84,998	134,425	552,682
Board of Education	11,441	0	0	11,441
Administration	237,340	2,815	0	240,155
Fiscal	54,340	3,859	0	58,199
Operation and Maintenance of Plant	14,288	4,369	0	18,657
Pupil Transportation	16,800	0	0	16,800
Central	3,423	0	0	3,423
Capital Outlay	0	0	705,600	705,600
Intergovernmental	0	109,590	0	109,590
Total Expenditures	3,254,765	257,994	840,025	4,352,784
Excess of Revenues Over (Under) Expenditures	208,241	132,787	(408,025)	(66,997)
Other Financing Sources (Uses):				
Proceeds of Notes	0	0	96,000	96,000
Operating Transfers In	0	0	446,248	446,248
Operating Transfers Out	(446,248)	0	0	(446,248)
Total Other Financing Sources (Uses)	(446,248)	0	542,248	96,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(238,007)	132,787	134,223	29,003
Fund Balances (Deficit) at Beginning of Year	617,701	35,863	(27,819)	625,745
Fund Balances at End of Year	$379,694	$168,650	$106,404	$654,748

See accompanying notes to the general purpose financial statements

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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

	General Fund			Special Revenue Funds			Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Intergovernmental	$2,408,269	$2,257,035	($151,234)	$530,450	$402,641	($127,809)	$0	$0	$0
Intergovernmental Grant	0	0	0	0	0	0	312,000	312,000	0
Interest	58,794	56,589	(2,205)	0	0	0	0	0	0
Tuition and Fees	183,137	176,281	(6,856)	0	0	0	0	0	0
Rent	175,810	26,271	(149,539)	0	0	0	0	0	0
Extracurricular Activities	0	0	0	13,591	8,246	(5,345)	0	0	0
Gifts and Donations	1,200	1,155	(45)	0	0	0	120,000	120,000	0
Customer Services	597,219	575,377	(21,842)	0	0	0	0	0	0
Miscellaneous	10,315	8,438	(1,877)	0	0		0	0	0
Total Revenues	3,434,744	3,101,146	(333,598)	544,041	410,887	(133,154)	432,000	432,000	0
Expenditures:									
Current									
Instruction:									
Regular	290,920	252,616	38,304	247,751	97,313	150,438	0	0	0
Special	1,802,099	1,409,885	392,214	75,602	51,142	24,460	0	0	0
Support Services:									
Pupils	1,065,850	983,060	82,790	8,362	249	8,113	0	0	0
Instructional Staff	448,878	374,847	74,031	144,977	107,544	37,433	251,606	195,625	55,981
Board of Education	17,400	11,402	5,998	0	0	0	0	0	0
Administration	280,959	237,885	43,074	54,901	3,386	51,515	0	0	0
Fiscal	73,307	53,360	19,947	6,859	3,859	3,000	0	0	0
Operation and Maintenance of Plant	16,220	13,157	3,063	37,331	16,031	21,300	0	0	0
Pupil Transportation	22,346	16,850	5,496	0	0	0	0	0	0
Central	4,175	3,516	659	0	0	0	0	0	0
Capital Outlay	0	0	0	50,000	50,000	0	839,651	835,444	4,207
Total Expenditures	4,022,154	3,356,578	665,576	625,783	329,524	296,259	1,091,257	1,031,069	60,188
Excess of Revenues Over (Under) Expenditures	(587,410)	(255,432)	331,978	(81,742)	81,363	163,105	(659,257)	(599,069)	60,188
Other Financing Sources (Uses):									
Proceeds of Notes	0	0	0	0	0	0	96,000	96,000	0
Refund of Prior Year Expenditures	1,000	452	(548)	158	108	(50)	0	0	0
Operating Transfers In	0	0	0	0	0	0	447,000	446,248	(752)
Operating Transfers Out	(451,194)	(446,248)	4,946	0	0	0	0	0	0
Total Other Financing Sources(Uses)	(450,194)	(445,796)	4,398	158	108	(50)	543,000	542,248	(752)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,037,604)	(701,228)	336,376	(81,584)	81,471	163,055	(116,257)	(56,821)	59,436
Fund Balances at Beginning of Year	856,715	856,715	0	23,995	23,995	0	116,955	116,955	0
Prior Year Encumbrances Appropriated	180,989	180,989	0	60,106	60,106	0	14,651	14,651	0
Fund Balances (Deficit) at End of Year	$100	$336,476	$336,376	$2,517	$165,572	$163,055	$15,349	$74,785	$59,436

See accompanying notes to the general purpose financial statements

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NOTE 1 - REPORTING ENTITY

The Auglaize County Educational Service Center (the "Center") is located in Wapakoneta, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Waynesfield-Goshen, New Knoxville, New Bremen, and Minster Local School Districts; and Wapakoneta and St. Marys City School Districts. The Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Center operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. The Center has 1 administrator, 55 classified employees, and 47 certified personnel who provide services to the local, exempted village, and city school districts.

A. Primary Government

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

B. Component Units

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

The Center is associated with three jointly governed organizationsand two insurance pools. These organizations include the Western Ohio Computer Organization, West Central Ohio Special Education Regional Resource Center, West Central Regional Professional Development Center, Mercer/Auglaize Employee Benefit Trust, and Ohio School Boards Association Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 13 and 14 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 more significant of the Center's accounting policies are described below.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

The Center uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain 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 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 Center are financed. The acquisition, use, and balances of the Center's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the Center’s governmental fund types:

General Fund

The General Fund is the operating fund of the 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 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.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 Center.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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. 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 Center is sixty days after 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, investment earnings, tuition, fees, 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 preparation of budgetary documents within an established timetable.

The 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 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 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 Center. Part (C) includes the adopted appropriation resolution of the Center. The State Department of Education reviews the budget and certifies to each local board of education, under the supervision of the Center, the amount from part (B) that is to be apportioned to their school district.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

The annual appropriation resolution is legally enacted by the Center at the fund, function, and object level of expenditures for the general fund and the fund level of expenditure for all other funds, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Center may pass a temporary appropriation measure to meet the ordinary expenditures of the 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 fund appropriation, or alter total function appropriations, or alter object appropriations within functions for the general fund, must be approved by the Center's Board. Any revisions that alter the total fund appropriations for all other funds must be approved by the Center's Board.

The 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 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 Cash Equivalents

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

Following Ohio statutes, interest revenue was credited to the general fund during fiscal year 2000 amounting to $56,589, which includes $16,900 assigned from other Center funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

The Center has segregated bank accounts for monies held separate from the Center's central bank account. This interest bearing depository account is presented in the Combined Balance Sheet as "Restricted Cash with Fiscal Agent" since they are not required to be deposited into the Center treasury.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2000, the Center did not have any investments.

E. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items by 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 services are consumed.

F. Restricted Assets

The Center has retainage held on a building project classified as restricted assets on the balance sheet because their use is limited to the payment of the retainage to the contractor.

G. 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 value as of the date received. The Center maintains a capitalization threshold of three hundred dollars.

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. The Center does not have any infrastructure.

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 Center will compensate the employees for the benefits through paid time off or some other means. The 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 Center has identified as probable of receiving payment in the future.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences (Continued)

The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees who have five years of current service with the Center. 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 contractually required 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 two months after fiscal year end are considered not to have used current available financial resources.

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

Entitlements
General Fund
- State Foundation Program

Reimbursable Grants
- CAFS

Non-Reimbursable Grants
Special Revenue Funds
- Local Professional Development Block Grant
- Financial Literacy
- Education Management Information Systems
- SchoolNet Professional Development
- Ohio Reads
- Alternative/Opportunity for Youth
- Scanning Equipment
- Training Ohio's Parrents
- Eisenhower
- Drug Free
- Preschool Handicapped
- Reducing Class Size
- Entry Year – Goals 2000
- Teacher on Loan

Capital Projects Funds
- Telecommunity

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues, (continued)

Grants and entitlements amounted to approximately 62 percent of the Center's operating revenue during the 2000 fiscal year.

K. Pass Through Grants

The Center is the primary recipient of grants which are passed through to or spent on behalf of the local 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.

L. 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.

M. Use of 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 may differ from those estimates.

N. 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 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 Basis) and Actual - All Governmental Fund Types 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 for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

	General	Special Revenue	Capital Projects
GAAP Basis	($238,007)	$132,787	$134,223
Revenue Accruals	(361,408)	20,214	0
Expenditure Accruals	107,884	(67,319)	(159,425)
Prepaid Items	(6,825)	(237)	0
Encumbrances Outstanding at Year End (Budget Basis)	(202,872)	(3,974)	(31,619)
Budget Basis	($701,228)	$81,471	($56,821)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the 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 accounts including passbook accounts.

Protection of the Center's deposits 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 moneys deposited with the institution.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

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

Deposits - At year end the carrying amount of the Center's deposits was $825,406 and the bank balance was $895,472. Of the bank balance, $110,108 was covered by federal depository insurance; and $785,364 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the ESC to a successful claim by the FDIC.

The Center had no investments during the fiscal year and at fiscal year end.

NOTE 5 - STATE FUNDING

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

Part (B) of the budget is provided by the local school districts to which the Center provides services and by the State Department of Education. Each local school district’s portion is determined by multiplying the average daily membership of the local school district (the total number of students enrolled) by $6.50.

NOTE 5 - STATE FUNDING (Continued)

This amount is deducted by the State Department of Education from that local 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 local school districts served by the Center by $36. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the local school districts served by the Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the local school districts served by the 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 local school districts approve or disapprove the additional apportionment.

NOTE 6 - RECEIVABLES

Receivables at June 30, 2000, consisted of accounts receivable and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Excess Costs	$164,458
Support Services	189,041
Tuition	20,226
CAFS Reimbursement	15,367
Total General Fund	389,092
Special Revenue Fund:	
Preschool Handicapped	5,561
Total	$394,653

NOTE 7 - FIXED ASSETS

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

Asset Category	**Balance at 6/30/1999**	**Additions**	**Deletions**	**Balance at 6/30/2000**
Buildings and Building Improvements	$ 0	$825,956	$ 0	$ 825,956
Furniture, Fixtures, and Equipment	145,196	109,935	12,324	242,807
Vehicles	92,137	8,700	0	100,837
Books	600	0	0	600
Total	$237,933	$944,591	$12,324	$1,170,200

NOTE 8 - RISK MANAGEMENT

The 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 2000, the Center contracted for the following insurance coverage:

Coverages provided by Nationwide Insurance Company:	
Building	$800,000
Inland Marine ($500 deductible)	92,201
General Liability	
Per Occurrence	2,000,000
Aggregate	5,000,000
Business Auto	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no major reduction in coverage in the past year.

For fiscal year 2000, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 14). The intent of the Program is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the Program. 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program 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 Program. 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 Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Program.

The Center participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and the Center. The Center pays monthly premiums to the Trust for medical and dental benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The 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.

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

A. State Teachers Retirement System

Plan members are required to contribute 9.3 percent of their annual covered salary and the 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 Center's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were $94,713, $84,760, and $139,281, respectively; none had 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 $94,713, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The 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 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 Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were $34,401, $40,490, and $34,859, respectively; 78.1 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 $7,525, 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 School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Center have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - 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 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.

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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 Center, this amount equaled $130,494 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 Center, the amount to fund health care benefits, including the surcharge, was $74,262 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.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees who work year round earn twenty days of vacation per fiscal year, after one year of service, that is required to be used prior to six months after fiscal year end. The Center prefers that accumulated, unused vacation time be used prior to termination, but will pay the vacation time to its classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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 180 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

B. Health Care Benefits

The Center has elected to offer medical and dental benefits to full-time employees through the Mercer/Auglaize Employee Benefit Trust. The Center also offers life insurance to employees that are paid an average of 32.5 hours per week during the nine month school year through CoreSource. These same employees are entitled to vision care through the VSP Vision Plan.

NOTE 12 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/1999	Additions	Deductions	Principal Outstanding 6/30/2000
Notes Payable	$0	$96,000	$0	$96,000
Compensated Absences	83,926	38,854	0	122,780
Intergovernmental Payable	22,783	20,876	22,783	20,876
Total General Long-Term Obligations	$106,709	$155,730	$22,783	$239,656

During fiscal year 2000, the Center received an advance on rental income from the Auglaize County Commissioners to fund the construction of an additional office in the new building. The Center is required to repay this advance as the rental income is collected. The agreement required the repayment in the amount of $9,600 per year for the next ten years. The advance is interest free.

Compensated absences and intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

A. Western Ohio Computer Organization

The Center is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign 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 school districts.

The governing board of WOCO consist of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

NOTE 13 - JOINTLY GOVERNED ORGANIZATION (Continued)

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Bradley Brown, Treasurer, Hancock County Center, 7746 County Road 140, Findlay, Ohio 45840.

NOTE 14 - INSURANCE POOLS

A. Mercer/Auglaize Employee Benefit Trust

The Mercer-Auglaize Schools Employee Benefits Trust - The Mercer-Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers. The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts.

Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust. Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

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

The Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Program), an insurance purchasing pool. The Program'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 school districts pay an enrollment fee to the Program to cover the costs of administering the program.

NOTE 15 - SCHOOL FUNDING

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 Center. During the fiscal year ended June 30, 2000, the Center received $1,068,863 of school foundation support for its General Fund.

NOTE 15 - SCHOOL FUNDING (Continued)

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 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 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 Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under these programs and on its financial operations.

NOTE 16 - FACILITIES AGREEMENT

In a ratified agreement approved by the County Prosecutor, the Auglaize County Commissioners advance funded ten years of the rent, that would have been required to be paid for facilities to house the offices of the Center, in order to allow the Center to construct its own facilities. This amount has been reflected in the financial statements as an intergovernmental grant.

In the agreement, the Center is required to rent space to other governmental agencies that provide similar services related to student services. The Center, as the sole owner of the building, is responsible for its upkeep; however, the Auglaize County Commissioners hold title to the land on which the building is located. Should the Center cease to exist, the building would revert to the Auglaize County Commissioners.

In addition, the Auglaize County Commissioners advanced funded anticipated rental income for the construction of an additional office in the new building for use by a governmental agency. The Center is required to repay this advance as the rental income is collected. This amount is reflected as note proceeds in the financial statements. The agreement requires the repayment of this advance over the next ten years.

NOTE 17 - CONTINGENCIES

The 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 Center at June 30, 2000.

NOTE 18 - SUBSEQUENT EVENTS

On August 28, 2000, the Center awarded a contract to Humble Construction, in the amount of $337,500, for the construction of an annex to the Center's building. The revenues of the general fund have been obligated for this amount.

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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

	Governmental Fund Types			Account Groups		
	General	**Special Revenue**	**Capital Projects**	**General Fixed Assets**	**General Long-Term Obligations**	**Totals Memorandum Only)**
Assets and Other Debits:						
Assets:						
Equity in Pooled Cash and Cash Equivalents	$1,037,704	$84,101	$131,606	$0	$0	$1,253,411
Receivables:						
Accounts	5,966	113	0	0	0	6,079
Intergovernmental	26,574	25,784	0	0	0	52,358
Due from Other Funds	7,385	0	0	0	0	7,385
Prepaid Items	17,723	0	0	0	0	17,723
Fixed Assets	0	0	0	237,933	0	237,933
Other Debits:						
Amount to be Provided from General Governmental Resources	0	0	0	0	111,239	111,239
Total Assets and Other Debits	$1,095,352	$109,998	$131,606	$237,933	$111,239	$1,686,128
Liabilities, Fund Equity and Other Credits:						
Liabilities:						
Accounts Payable	$11,058	$7,062	$61,200	$0	$0	$79,320
Contracts Payable	0	50,000	98,225	0	0	148,225
Accrued Wages and Benefits	256,331	6,467	0	0	0	262,798
Compensated Absences Payable	3,273	0	0	0	88,456	91,729
Due to Other Funds	0	7,385	0	0	0	7,385
Intergovernmental Payable	206,989	3,221	0	0	22,783	232,993
Total Liabilities	477,651	74,135	159,425	0	111,239	822,450
Fund Equity and Other Credits:						
Investment in General Fixed Assets	0	0	0	237,933	0	237,933
Fund Balance:						
Reserved for Encumbrances	176,646	8,638	14,651	0	0	199,935
Unreserved (Deficit)	441,055	27,225	(42,470)	0	0	425,810
Total Fund Equity (Deficit) and Other Credits	617,701	35,863	(27,819)	237,933	0	863,678
Total Liabilities, Fund Equity and Other Credits	$1,095,352	$109,998	$131,606	$237,933	$111,239	$1,686,128

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Revenues:				
Intergovernmental	$2,224,975	$241,781	$0	$2,466,756
Interest	62,766	0	0	62,766
Tuition and Fees	181,128	0	0	181,128
Extracurricular Activities	0	10,368	0	10,368
Gifts and Donations	1,500	0	120,000	121,500
Customer Services	360,868	0	0	360,868
Other	3,713	0	0	3,713
Total Revenues	2,834,950	252,149	120,000	3,207,099
Expenditures:				
Current:				
Instruction:				
Regular	69,859	72,043	0	141,902
Special	1,266,642	3,449	0	1,270,091
Support Services:				
Pupils	860,007	1,607	0	861,614
Instructional Staff	383,753	43,918	349,594	777,265
Board of Education	11,501	0	0	11,501
Administration	162,003	0	0	162,003
Fiscal	57,957	0	0	57,957
Operation and Maintenance of Plant	0	27,782		27,782
Pupil Transportation	95,530	26	0	95,556
Central	5,014	0	0	5,014
Capital Outlay	0	50,000	98,225	148,225
Intergovernmental	0	122,373	0	122,373
Total Expenditures	2,912,266	321,198	447,819	3,681,283
Excess of Revenues Under Expenditures	(77,316)	(69,049)	(327,819)	(474,184)
Fund Balances at Beginning of Year	695,017	104,912	300,000	1,099,929
Fund Balances (Deficit) at End of Year	$617,701	$35,863	($27,819)	$625,745

See accompanying notes to the general purpose financial statements

EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

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

	General Fund			Special Revenue Funds			Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Intergovernmental	$2,151,400	$2,211,607	$60,207	$225,395	$225,092	($303)	$0	$0	$0
Interest	63,000	62,766	(234)	0	0	0	0	0	0
Tuition and Fees	171,000	170,089	(911)	0	0	0	0	0	0
Extracurricular Activities	0	0	0	10,500	10,255	(245)	0	0	0
Gifts and Donations	1,500	1,500	0	0	0	0	120,000	120,000	0
Customer Services	1,082,100	1,080,001	(2,099)	0	0	0	0	0	0
Miscellaneous	50	45	(5)	0	0		0	0	0
Total Revenues	3,469,050	3,526,008	56,958	235,895	235,347	(548)	120,000	120,000	0
Expenditures:									
Current									
Instruction:									
Regular	151,426	78,764	72,662	151,660	131,319	20,341	0	0	0
Special	1,525,672	1,376,407	149,265	8,200	5,472	2,728	0	0	0
Support Services:									
Pupils	983,882	880,410	103,472	1,607	1,607	0	0	0	0
Instructional Staff	483,375	402,850	80,525	141,689	121,632	20,057	420,000	288,394	131,606
Board of Education	13,500	11,452	2,048	0	0	0	0	0	0
Administration	192,568	166,913	25,655	3,330	2,623	707	0	0	0
Fiscal	65,555	57,014	8,541	3,859	0	3,859	0	0	0
Operation and Maintenance of Plant	100	0	100	21,951	21,951	0	0	0	0
Pupil Transportation	112,603	95,329	17,274	26	26	0	0	0	0
Central	3,400	2,239	1,161	0	0	0	0	0	0
Capital Outlay	0	0	0	50,000	50,000	0	385,000	14,651	370,349
Total Expenditures	3,532,081	3,071,378	460,703	382,322	334,630	47,692	805,000	303,045	501,955
Excess of Revenues Over (Under) Expenditures	(63,031)	454,630	517,661	(146,427)	(99,283)	47,144	(685,000)	(183,045)	501,955
Other Financing Sources:									
Refund of Prior Year Expenditures	3,500	3,246	(254)	0	0	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(59,531)	457,876	517,407	(146,427)	(99,283)	47,144	(685,000)	(183,045)	501,955
Fund Balances at Beginning of Year	168,667	168,667	0	104,970	104,970	0	300,000	300,000	0
Prior Year Encumbrances Appropriated	230,172	230,172	0	18,308	18,308	0	0	0	0
Fund Balances at End of Year	$339,308	$856,715	$517,407	($23,149)	$23,995	$47,144	($385,000)	$116,955	$501,955

See accompanying notes to the general purpose financial statements

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NOTE 1 - REPORTING ENTITY

The Auglaize County Educational Service Center (the "Center") is located in Wapakoneta, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Waynesfield-Goshen, New Knoxville, New Bremen, and Minster Local School Districts; and Wapakoneta and St. Marys City School Districts. The Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Auglaize 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 Center has 1 administrator, 46 classified employees, and 38 certified personnel who provide services to the local, exempted village, and city school districts.

A. Primary Government

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

B. Component Units

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

The Center is associated with one jointly governed organization and two insurance pools. These organizations include the Western Ohio Computer Organization, West Central Ohio Special Education Regional Resource Center, West Central Ohio Regional Professional Development Center, Mercer/Auglaize Employee Benefit Trust, and Ohio School Board Association Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 15 and 16 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 more significant of the Center's accounting policies are described below.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting

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

General Fund

The General Fund is the operating fund of the 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 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.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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 Center.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the Center.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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. 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 Center is sixty days after 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, investment earnings, tuition, fees, 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 preparation of budgetary documents within an established timetable.

The 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 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 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 Center. Part (C) includes the adopted appropriation resolution of the Center. The State Department of Education reviews the budget and certifies to each local board of education, under the supervision of the Center, the amount from part (B) that is to be apportioned to their school district.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

. **Appropriations:**

The annual appropriation resolution is legally enacted by the 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 Center may pass a temporary appropriation measure to meet the ordinary expenditures of the 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 fund appropriation, or alter total function appropriations, or alter object appropriations within functions for the general fund, must be approved by the Center's Board. Any revisions that alter the total fund appropriations for all other funds must be approved by the Center's Board.

The 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 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 Cash Equivalents

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

Following Ohio statutes, the Board of Education has credited interest revenue to the general fund. During fiscal year 1999 interest revenue amounted to $62,766, which includes $15,262 assigned from other Center funds.

For purposes of the combined statement of cash flows and for presentation of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 1999, the Center did not have any investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Prepaid Assets

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items by 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 services are consumed.

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 value as of the date received. The Center maintains a capitalization threshold of three hundred dollars.

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. The Center does not have any infrastructure.

G. 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 Center will compensate the employees for the benefits through paid time off or some other means. The 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 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 Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees who have five years of current service with the Center.

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.

H. 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 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 two months after fiscal year end are considered not to have used current available financial resources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements
- **General Fund**
  - State Foundation Program
- **Non-Reimbursable Grants**
- **Special Revenue Funds**
  - Local Professional Development Block Grant
  - Training Ohio's Parents for Success
  - Financial Literacy
  - Alternative/Opportunity for Youth
  - Wellness
  - Education Management Information Systems
  - Entry Year
  - Eisenhower
  - Drug Free
  - Preschool Handicapped
  - School To Work
  - Teacher on Loan
- **Capital Projects Funds**
  - Telecommunity

Grants and entitlements amounted to approximately seventy-six percent of the Center's operating revenue during the 1999 fiscal year.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet.

K. Pass Through Grants

The Center is the primary recipient of grants which are passed through to or spent on behalf of the local 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.

L. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Use of 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 may differ from those estimates.

N. 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 - ACCOUNTABILITY

At June 30, 1999, the Permanent Improvement capital projects fund had a deficit fund balance of $98,225. The deficit resulted from expenditures made in excess of available revenues. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the 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 Basis) and Actual - All Governmental Fund Types 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 for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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 Under Expenditures and Other Financing Uses Governmental Fund Types

	General	Special Revenue	Capital Projects
GAAP Basis	($77,316)	($69,049)	($327,819)
Revenue Accruals	696,558	(16,802)	0
Expenditure Accruals	24,909	45,757	159,425
Prepaid Items	(5,286)	917	0
Encumbrances Outstanding at Year End (Budget Basis)	(180,989)	(60,106)	(14,651)
Budget Basis	$457,876	($99,283)	($183,045)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits the 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.

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 form the date of deposit or by savings accounts including passbook accounts.

Protection of the Center's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

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

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

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

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

Deposits At year end the carrying amount of the Center's deposits was $1,253,411 and the bank balance was $1,335,845. Of the bank balance $100,000 was covered by federal depository insurance; and $1,235,845 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

The Center had no investments during the fiscal year and at fiscal year end.

NOTE 6 - STATE FUNDING

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

Part (B) of the budget is provided by the local school districts to which the Center provides services and by the State Department of Education. Each local school district's portion is determined by multiplying the average daily membership of the local school district (the total number of students enrolled) by $6.50. This amount is deducted by the State Department of Education from that local 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 local school districts served by the Center by $32. This amount is provided from State resources.

NOTE 6 - STATE FUNDING (Continued)

If additional funding is needed for the Center, and if a majority of the Boards of Education of the local school districts served by the Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the local school districts served by the 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 local school districts approve or disapprove the additional apportionment.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of accounts receivable and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
CAFS Reimbursement	$26,574
Special Revenue Funds:	
Drug Free	19,067
Preschool Handicapped	6,717
Total Special Revenue Funds	25,784
Total	$52,358

NOTE 8 - FIXED ASSETS

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

Asset Category	Balance at 6/30/98	Additions	Deletions	Balance at 6/30/99
Furniture, Fixtures, and Equipment	$108,756	$44,440	$8,000	$145,196
Vehicles	25,613	70,024	3,500	92,137
Books	600	0	0	600
Total	$134,969	$114,464	$11,500	$237,933

NOTE 9 - RISK MANAGEMENT

The 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 Center contracted for the following insurance coverage

Coverages provided by Nationwide Insurance Company:	
Inland Marine ($500 deductible)	$92,201
General Liability	
Per Occurrence	2,000,000
Aggregate	5,000,000
Business Auto	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no major reduction in coverage in the past year.

NOTE 9 - RISK MANAGEMENT (Continued)

For fiscal year 1999, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool (Note 16). The intent of the Program is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the Program. 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 Program. Each participant pays its workers' compensation premium to the State based on the rate for the Program 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 Program. 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 Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Program.

The Center participates in the Mercer/Auglaize Employee Benefit Trust (Trust), a public entity shared risk pool consisting of eight local school districts, two city school districts, and the Center. The Center pays monthly premiums to the Trust for medical and dental benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members are required to contribute 9.3 percent of their annual covered salary. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were $84,760, $139,281, and $134,511, respectively. None had been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $84,760 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate School District rate is 14 percent of 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 used to fund pension obligations. For fiscal year 1998, 9.79 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. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $40,490, $34,859, and $28,079, respectively; 91.8 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $3,312 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

For fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled $113,013 during the 1999 fiscal year.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll; an increase from 4.98 percent for fiscal year 1998.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at $12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled $33,128 during the 1999 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expense for health care at June 30, 1998, was $111,900,575 and the target level was $139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of $160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees who work year round earn twenty days of vacation per fiscal year, after one year of service, that is required to be used prior to six months after fiscal year end. The Center prefers that accumulated, unused vacation time be used prior to termination, but will pay the vacation time to its classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

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 180 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

NOTE 12 - EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The Center has elected to offer medical and dental benefits to full-time employees through the Mercer/Auglaize Employee Benefit Trust. The Center also offers life insurance to employees that are paid an average of 32.5 hours per week during the nine month school year through CoreSource. These same employees are entitled to vision care through the VSP Vision Plan.

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Compensated Absences	$58,162	$30,294	$0	$88,456
Intergovernmental Payable	14,246	22,783	14,246	22,783
Total General Long-Term Obligations	$72,408	$53,077	$14,246	$111,239

Compensated absences and intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

NOTE 14 - INTERFUND ACTIVITY

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

Fund Type/Fund	Due from Other Funds	Due to Other Funds
General Fund	$7,385	$0
Special Revenue Fund:		
Drug Free	0	7,385
Total All Funds	$7,385	$7,385

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The Center is a participant in the Western Ohio Computer Organization (WOCO). WOCO is an association of public school districts within the boundaries of Hardin, Auglaize, Shelby, Logan, Miami and Champaign 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 school districts. The governing board of WOCO consist of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 East Court Street, Sidney, Ohio 45365.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a governing board of 52 members made up of representatives from 50 superintendents of the participating districts, one non-public school, and one from Wright State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam and Van Wert counties. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a governing board made up of fifty-two representatives of the participating school districts, the business community, and two institutions of higher learning whose term rotates every two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information may be obtained by contacting Dorothy Oldham, Treasurer, Hancock County Educational Service Center, 604 Lima Avenue, Findlay, Ohio 45840.

NOTE 16 - INSURANCE POOLS

A. Mercer/Auglaize Employee Benefit Trust

The Mercer-Auglaize Schools Employee Benefits Trust - The Mercer-Auglaize Employee Benefit Trust (the Plan) is a public entity shared risk pool consisting of eight local school districts, two city school districts, one exempted village school district, and two educational service centers.

The Plan is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to a Board of Trustees which advises the Trustee, Mid-American Bank, concerning aspects of the administration of the Trust.

Each school district decides which plans offered by the Board of Trustees will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Board of Trustees and payment of the monthly premiums. Financial information can be obtained from James Mauntler, who serves as consultant with Schmidt, Long, and Associates, at 4169 North Holland Sylvania Road, Suite 203, Building 3, Toledo, Ohio 43623.

NOTE 16 - INSURANCE POOLS (Continued)

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

The Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Program), and insurance purchasing pool. The Program'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 school districts pay an enrollment fee to the Program to cover the costs of administering the program.

NOTE 17 - SCHOOL FUNDING

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 amounts of monetary support to the Center. During the fiscal year ended June 30, 1999, the Center received $1,074,788 of school foundation support for its general fund.

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 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 the 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 Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 - CONTINGENCIES

Grants

The 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 Center at June 30, 1999.

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

Educational Service Center
Auglaize County
1045 Dearbaugh Avenue, Suite 2
Wapakoneta, Ohio 45895

To the Governing Board:

We have audited the general-purpose financial statements of the Educational Service Center, Auglaize County, (the Center) as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated December 18, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards,* which is described in the accompanying Schedule of Findings as item 2000-10206-001.

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.

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

JIM PETRO
Auditor of State

December 18, 2000

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EDUCATIONAL SERVICE CENTER
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED JUNE 30, 2000 AND 1999

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

Finding 2000-10202-001	Noncompliance

Ohio Rev. Code Section 5705.41(D), states that no subdivision shall make any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment ("then and now").

After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over $1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

For sixty-five percent of the transactions tested, the date of the invoice preceded the date of the Treasurer's certificate, and there was no evidence of subsequent Treasurer approval on the form as a "then and now" certification.

The Center should develop procedures and controls to comply with this requirement.

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EDUCATIONAL SERVICE CENTER

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 16, 2001