



LUCAS COUNTY EDUCATIONAL SERVICE CENTER

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

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REPORT OF INDEPENDENT ACCOUNTANTS

Lucas County Educational Service Center
415 Emerald Avenue, 2nd Floor
Toledo, Ohio 43602-1817

To the Board:

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

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Lucas ESC, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2001 on our consideration of Lucas ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 12, 2001

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LUCAS COUNTY EDUCATIONAL SERVICE CENTER

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$3,278,566	\$2,307,916	\$1,442,971
Investments	397,234		
Receivables:			
Accounts	419,314	120,866	
Intergovernmental	6,473	571,225	
Accrued Interest	37,793		
Prepaid Items	12,088		
Fixed Assets (Net, where applicable, of Accumulated Depreciation)			
Other Debits:			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	\$4,151,468	\$3,000,007	\$1,442,971
 LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$267,248	\$422,766	\$9,055
Accrued Wages and Benefits	574,546	273,225	
Compensated Absences Payable	142,062	13,885	
Intergovernmental Payable	76,608	38,470	
Undistributed Monies			
Total Liabilities	1,060,464	748,346	9,055
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Fund Balance:			
Reserved for Encumbrances	11,750	78,472	
Reserved for Prepaid Items	12,088		
Unreserved, Undesignated	3,067,166	2,173,189	1,433,916
Total Fund Equity and Other Credits	3,091,004	2,251,661	1,433,916
Total Liabilities, Fund Equity and Other Credits	\$4,151,468	\$3,000,007	\$1,442,971

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

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	Expendable Trust and Agency	General Fixed Assets	
\$1,870,727			\$8,900,180 397,234
1,613			541,793 577,698 37,793 12,088
	\$1,156,686		1,156,686
		\$586,017	586,017
\$1,872,340	\$1,156,686	\$586,017	\$12,209,489

\$63,642			\$762,711 847,771
510		\$491,870	647,817
1,806,759		94,147	209,735
1,870,911		586,017	1,806,759
	\$1,156,686		4,274,793
			1,156,686
1,429			90,222 12,088
1,429	1,156,686		6,675,700
\$1,872,340	\$1,156,686	\$586,017	\$12,209,489

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

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

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Revenues:			
Intergovernmental	\$6,490,879	\$5,535,432	\$53,703
Interest	535,041	13,006	
Tuition	1,374,443	226,400	
Customer Services	2,317,197	186,253	
Food Services	2,196		
Classroom Materials and Fees	81,506	14,531	
Transportation Fees	259,277		
Miscellaneous	285,770		
	<hr/>	<hr/>	<hr/>
Total Revenues	11,346,309	5,975,622	53,703
Expenditures:			
Current:			
Instruction:			
Regular	146,693	169,908	
Special	4,657,556	248,405	1,319
Vocational	67,203		
Adult/Continuing Education		18,525	
Other		1,000	
Support Services:			
Pupils	1,318,033	690,602	
Instructional Staff	1,708,095	1,148,774	168,831
Board of Education	24,956		
Administration	1,775,331	327,359	
Fiscal	334,448	6,451	
Business	186,242	108,368	
Operation and Maintenance of Plant	568,386	21,602	
Pupil Transportation	271,091	16,730	
Central	148,684	152,492	
Operation of Non-Instructional Services	22,690	2,478,620	
Intergovernmental		353,143	
Debt Service:			
Principal Retirement	4,865		
Interest and Fiscal Charges	245		
	<hr/>	<hr/>	<hr/>
Total Expenditures	11,234,518	5,741,979	170,150
Excess of Revenues Over (Under) Expenditures	<hr/>	<hr/>	<hr/>
	111,791	233,643	(116,447)
Other Financing Sources (Uses):			
Proceeds from the Sale of Assets	1,000		
Refund of Prior Year Expenditures	36,635	1,802	
Transfers-In		6,357	77,404
Transfers-Out	(6,357)	(77,404)	
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	31,278	(69,245)	77,404
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<hr/>	<hr/>	<hr/>
	143,069	164,398	(39,043)
Fund Balances (Deficit) at Beginning of Year	<hr/>	<hr/>	<hr/>
	2,947,935	2,087,263	1,472,959
Fund Balances (Deficit) at End of Year	<hr/> \$3,091,004 <hr/>	<hr/> \$2,251,661 <hr/>	<hr/> \$1,433,916 <hr/>

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

<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$12,080,014
	548,047
	1,600,843
	2,503,450
	2,196
	96,037
	259,277
	285,770
	<u>17,375,634</u>
	316,601
	4,907,280
	67,203
	18,525
	1,000
	2,008,635
	3,025,700
	24,956
	2,102,690
	340,899
	294,610
	589,988
	287,821
	301,176
	2,501,310
	353,143
	4,865
	245
	<u>17,146,647</u>
	<u>228,987</u>
	1,000
	38,437
	83,761
	<u>(83,761)</u>
	<u>39,437</u>
	268,424
<u>\$1,429</u>	<u>6,509,586</u>
<u>\$1,429</u>	<u>\$6,778,010</u>

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

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

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Intergovernmental	\$6,586,271	\$6,489,139	(\$97,132)
Earnings on Investments	432,000	509,180	77,180
Food Services	2,500	2,196	(304)
Tuition	1,293,233	1,415,022	121,789
Customer Services	1,813,633	2,341,843	528,210
Classroom Material and Fees	60,600	81,641	21,041
Transportation Fees	190,000	219,835	29,835
Miscellaneous	173,895	281,037	107,142
Total Revenues	10,552,132	11,339,893	787,761
Expenditures:			
Current:			
Instruction:			
Regular	219,916	143,661	76,255
Special	5,310,086	4,493,070	817,016
Vocational	98,142	65,178	32,964
Adult Education			
Other			
Support Services:			
Pupils	1,466,614	1,304,744	161,870
Instructional Staff	1,840,345	1,675,546	164,799
Board of Education	32,523	25,622	6,901
Administration	2,255,344	1,752,252	503,092
Fiscal	410,048	338,785	71,263
Business	232,448	177,355	55,093
Operation and Maintenance of Plant	841,992	575,917	266,075
Pupil Transportation	362,714	263,247	99,467
Central	187,976	122,605	65,371
Operation of Non-Instructional Services	42,597	23,654	18,943
Capital Outlay	1,000		1,000
Total Expenditures	13,301,745	10,961,636	2,340,109
Excess of Revenues Over (Under) Expenditures	(2,749,613)	378,257	3,127,870
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets		1,000	1,000
Refund of Prior Year Expenditures		36,053	36,053
Operating Transfers In			
Operating Transfers Out	(6,357)	(6,357)	
Total Other Financing Sources (Uses)	(6,357)	30,696	37,053
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,755,970)	408,953	3,164,923
Fund Balances (Deficit) at Beginning of Year	3,175,732	3,175,732	
Prior Year Encumbrances Appropriated	10,236	10,236	
Fund Balances (Deficit) at End of Year	\$429,998	\$3,594,921	\$3,164,923

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,922,545	\$5,261,202 13,006	\$3,338,657 13,006	\$25,000	\$53,703	\$28,703
225,315	232,360	7,045			
55,110	76,016 13,605	20,906 13,605			
<u>2,202,970</u>	<u>5,596,189</u>	<u>3,393,219</u>	<u>25,000</u>	<u>53,703</u>	<u>28,703</u>
194,456	179,753	14,703			
263,338	451,593	(188,255)	1,319	1,319	
19,854	18,525	1,329			
1,000	1,000				
554,575	682,466	(127,891)			
1,898,002	1,105,180	792,822	17,396	160,754	(143,358)
282,667	359,405	(76,738)			
6,901	6,451	450			
64,550	109,811	(45,261)			
27,350	21,965	5,385			
19,001	16,828	2,173			
80,795	154,849	(74,054)			
1,893,850	2,396,734	(502,884)			
<u>5,306,339</u>	<u>5,504,560</u>	<u>(198,221)</u>	<u>18,715</u>	<u>162,073</u>	<u>(143,358)</u>
<u>(3,103,369)</u>	<u>91,629</u>	<u>3,194,998</u>	<u>6,285</u>	<u>(108,370)</u>	<u>(114,655)</u>
500	2,050	1,550			
	6,357	6,357		77,404	77,404
<u>(82,284)</u>	<u>(77,404)</u>	<u>4,880</u>			
<u>(81,784)</u>	<u>(68,997)</u>	<u>12,787</u>		<u>77,404</u>	<u>77,404</u>
(3,185,153)	22,632	3,207,785	6,285	(30,966)	(37,251)
1,964,998	1,964,998		1,467,012	1,467,012	
203,565	203,565		6,925	6,925	
<u>(\$1,016,590)</u>	<u>\$2,191,195</u>	<u>\$3,207,785</u>	<u>\$1,480,222</u>	<u>\$1,442,971</u>	<u>(\$37,251)</u>

(Continued)

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

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

	<u>Expendable Trust Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental			
Earnings on Investments			
Food Services			
Tuition			
Customer Services			
Classroom Material and Fees			
Transportation Fees			
Miscellaneous			
Total Revenues			
Expenditures:			
Current:			
Instruction:			
Regular			
Special			
Vocational			
Adult Education			
Other			
Support Services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal			
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Operation of Non-Instructional Services			
Capital Outlay			
Total Expenditures			
Excess of Revenues Over (Under) Expenditures			
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Operating Transfers In			
Operating Transfers Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
Fund Balances (Deficit) at Beginning of Year	\$1,429	\$1,429	
Prior Year Encumbrances Appropriated			
Fund Balances (Deficit) at End of Year	\$1,429	\$1,429	

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

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$8,533,816	\$11,804,044	\$3,270,228
432,000	522,186	90,186
2,500	2,196	(304)
1,518,548	1,647,382	128,834
1,868,743	2,417,859	549,116
60,600	95,246	34,646
190,000	219,835	29,835
173,895	281,037	107,142
12,780,102	16,989,785	4,209,683
414,372	323,414	90,958
5,574,743	4,945,982	628,761
98,142	65,178	32,964
19,854	18,525	1,329
1,000	1,000	
2,021,189	1,987,210	33,979
3,755,743	2,941,480	814,263
32,523	25,622	6,901
2,538,011	2,111,657	426,354
416,949	345,236	71,713
296,998	287,166	9,832
869,342	597,882	271,460
381,715	280,075	101,640
268,771	277,454	(8,683)
1,936,447	2,420,388	(483,941)
1,000		1,000
18,626,799	16,628,269	1,998,530
(5,846,697)	361,516	6,208,213
	1,000	1,000
500	38,103	37,603
(88,641)	83,761	83,761
	(83,761)	4,880
(88,141)	39,103	127,244
(5,934,838)	400,619	6,335,457
6,609,171	6,609,171	
220,726	220,726	
\$895,059	\$7,230,516	\$6,335,457

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LUCAS COUNTY EDUCATIONAL SERVICE CENTER

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 1 - REPORTING ENTITY

Lucas County Educational Service Center (Lucas ESC) is located in Toledo, Ohio, the county seat. Lucas ESC supplies supervisory, special education, administrative, and other services to the Anthony Wayne, Ottawa Hills, Springfield, and Washington Local School Districts; Perrysburg and Rossford Exempted Village School Districts; and Maumee, Oregon, and Sylvania City School Districts. Lucas ESC furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

Lucas ESC operates under a locally-elected Board of Education consisting of five members elected at-large for staggered four year terms. Lucas ESC has fifteen administrators, ninety-eight classified employees, and two hundred sixteen certified employees who provide services to the local, exempted village, and city school districts.

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

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

Lucas ESC is associated with two jointly governed organizations. These organizations are the Penta County Joint Vocational School and the Northwest Ohio Computer Association. These organizations are presented in Note 15 to the general-purpose financial statements.

As of June 30, 2000, Lucas ESC served as a fiscal agent for charter schools established under Chapter 3314 of the Ohio Revised Code. These charter schools are not considered a part of Lucas ESC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lucas ESC 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 Lucas ESC's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

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 Lucas ESC are grouped into the following generic fund types under the broad fund categories of governmental and fiduciary.

1. Governmental Fund Types

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

General Fund - The General Fund is the operating fund of Lucas ESC 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 Lucas ESC 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 - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Fiduciary Fund Types

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

3. 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 Lucas ESC.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of Lucas ESC.

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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

C. Budgetary Process

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

Lucas ESC legally adopts its budget for all funds, other than agency 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 Lucas ESC'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, Lucas ESC 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 Lucas ESC. Part (C) includes the adopted appropriation resolution of Lucas ESC. The State Department of Education reviews the budget and certifies to each Board of Education, under the supervision of Lucas ESC, the amount from part (B) that is to be apportioned to the Educational Service Center.

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

1. Estimated Resources

After the start of the fiscal year, estimated resources are revised to include any unencumbered balances from the preceding fiscal year. The revised estimated resources represents the maximum amount that may be appropriated from each fund. Estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer or additional grant programs are approved by the board.

2. Appropriations

The annual appropriation resolution is legally enacted by Lucas ESC 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, Lucas ESC may pass a temporary appropriation measure to meet the ordinary expenditures of Lucas ESC.

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 the legal level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by Lucas ESC's Board.

Lucas ESC 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, except agency funds, consistent with statutory provisions.

3. Encumbrances

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

4. Lapsing of Appropriations

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

D. Cash and Investments

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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During fiscal year 2000, investments were limited to repurchase agreements, nonnegotiable certificates of deposit, a Student Loan Mortgage Association (SLMA) medium-term note, a Federal Home Loan Mortgage Corporation (FHLMC) debenture bond, and STAR Ohio. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost. The SLMA and FHLMC instruments were marked to market. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$535,041, which includes \$323,486 assigned from other Lucas ESC funds.

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by Lucas ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Prepaid Items

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

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. Lucas ESC maintains a capitalization threshold of two hundred fifty 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. Lucas ESC 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 Lucas ESC will compensate the employees for the benefits through paid time off or some other means. Lucas ESC 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 Lucas ESC has

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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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 Lucas ESC's termination policy. Lucas ESC records a liability for accumulated unused sick leave for all employees who have ten years of current service with Lucas ESC or who are fifty years of age or older.

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 liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year end are considered not to have used current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

I. Fund Balance Reserves

Lucas ESC records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. A fund equity reserve has been established for prepaid items and encumbrances.

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.

Lucas ESC currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program

Non-Reimbursable Grants

General Fund
Junior ROTC Program

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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Reimbursable Grants

Special Revenue Funds
Adult Education
Motorcycle Safety
State Child Care

Non-Reimbursable Grants

Special Revenue Funds
Reading Recovery
Teacher Development
TOPS Program
Base Consortium
Career Enhancement
Education Management Information Systems
Head Start Accreditation
Public School Preschool Accreditation
Entry Year Programs
Data Communications
School Net - Professional Development
Ohio Reads
Interpreter Professional Development
Summer Intervention Reading Institute
Job Training/Private Industry Council
Eisenhower
Drug Free
Preschool Diagnostic
Alternative Education Opportunity
Northwest Ohio School-to-Work
Goals 2000

Capital Projects Fund
SchoolNet
Vocational Education Equipment

Grants and entitlements amounted to approximately 69 percent of the revenues of Lucas ESC's governmental fund types during the 2000 fiscal year.

K. Flow Through Grants

Lucas ESC is the primary recipient of grants which are passed through or spent on behalf of the school districts within the county. When Lucas ESC has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in the special revenue fund type. For fiscal year 2000, these funds included the Local Professional Development, Eisenhower, and Drug Free special revenue funds.

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

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.

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

M. Estimates

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

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 AND COMPLIANCE

A. Accountability

At June 30, 2000, the Ohio Reads, Job Training, and Pre-School Diagnostics special revenue funds had deficit cash balances of \$11,874, \$183,985, and \$11,754, respectively. The deficits occurred because funds are not advanced from the General Fund to finance the expenditures until reimbursements are received.

B. Compliance

The following accounts had expenditures in excess of appropriations for the fiscal year ended June 30, 2000.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>			
Current:			
Special Instruction	\$263,338	\$451,593	(\$188,255)
Support Services:			
Pupils	554,575	682,466	(127,891)
Administration	282,667	359,405	(76,738)
Business	64,550	109,811	(45,261)
Central	80,795	154,849	(74,054)
Operation of Non-Instructional Services	1,893,850	2,396,734	(502,884)
<u>Capital Project Funds:</u>			
Support Services:			
Instructional Staff	17,396	160,754	(143,358)

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While Lucas ESC is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
Budget Basis	\$408,953	\$22,632	(\$30,966)
<u>Increase (Decrease) Due to:</u>			
Revenue Accruals	6,998	379,185	
Expenditure Accruals	(356,525)	(354,119)	(8,077)
Encumbrances Outstanding at Year End (Budget Basis)	83,643	116,700	
GAAP Basis	\$143,069	\$164,398	(\$39,043)

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by Lucas ESC into three categories.

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and the 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 Lucas ESC, 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".

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

Deposits

At fiscal year end, the carrying amount of Lucas ESC's deposits was \$511,752, and the bank balance was \$2,481,004. Of the bank balance, \$1,670,985 was covered by federal depository insurance and \$810,019 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject Lucas ESC to a successful claim by the FDIC.

Investments

Lucas ESC's investments are categorized below to give an indication of the level of risk assumed by Lucas ESC at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by Lucas ESC or its agent in Lucas ESC's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in Lucas ESC's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in Lucas ESC's name. Lucas ESC's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 1	Category 3	Reported Amount	Fair Value
Repurchase Agreements		\$501,178	\$501,178	\$501,178
Federal Home Loan Mortgage Corp.-Debenture Bond	\$200,000		198,376	198,376
Student Loan Mortgage Assn.-Note	200,000		198,858	198,858
STAR Ohio			7,887,250	7,887,250
Total	<u>\$400,000</u>	<u>\$501,178</u>	<u>\$8,785,662</u>	<u>\$8,785,662</u>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$8,900,180	\$397,234
Investments:		
Repurchase Agreements	(501,178)	501,178
STAR Ohio	(7,887,250)	7,887,250
GASB Statement No. 3	<u>\$511,752</u>	<u>\$8,785,662</u>

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

NOTE 6 - STATE FUNDING

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

Part (B) of the budget is provided by the school districts to which Lucas ESC provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's School Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by Lucas ESC by \$36. This amount is provided from State resources.

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

NOTE 7 - RECEIVABLES

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

	Amounts
<u>Accounts Receivable</u>	
General Fund	\$419,314
Special Revenue	120,866
Agency	1,613
Total Accounts Receivable	\$541,793
 <u>Intergovernmental Receivables</u>	
General Fund:	
Transportation	\$6,473
Special Revenue Funds:	
Traffic Safety	3,395
Ohio Reads	11,874
Motorcycle Safety	5,189
Preschool Diagnostic	11,754
Drug Free Grant	7,845
School-to-Work	1,440
Private Industry Council	85,608
Summer Intervention Reading Institute	444,120
Total Special Revenue Funds	571,225
Total Intergovernmental Receivables	\$577,698
 <u>General Fund:</u>	
Accrued Interest Receivable	\$37,793

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(Continued)**

NOTE 8 - FIXED ASSETS

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

Asset Category	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/2000
Buildings	\$133,203	\$20,025		\$153,228
Improvements Other Than Buildings	1,953			1,953
Furniture, Fixtures, and Equipment	856,913	100,536	(1,000)	956,449
Vehicles	22,785	22,271		45,056
Totals	\$1,014,854	\$142,832	(\$1,000)	\$1,156,686

NOTE 9 - RISK MANAGEMENT

Lucas ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, Lucas ESC contracted for the following insurance coverages.

Coverages provided by Dussel Insurance Agency:	
Commercial Property (\$250 deductible)	\$653,000
Coverages provided by Harcum-Hyre Insurance Agency:	
General Liability	
Per Occurrence	\$2,000,000
Aggregate	5,000,000
Business Auto	2,000,000
Employee Benefits Liability	500,000

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Lucas ESC 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 basic 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 State statute per 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 or by calling (614)222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and Lucas ESC is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended up to statutory maximum amounts, by the SERS Retirement Board. Lucas ESC's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$293,021, \$371,058, and \$206,701, respectively; 76.44 percent has been contributed for fiscal

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

year 2000 and 100 percent for the fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$69,024, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

Lucas ESC 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and Lucas ESC is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Lucas ESC's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$1,230,343, \$1,122,029, and \$764,878, respectively; 91.72 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 \$101,918 is recorded as a liability within respective funds.

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, one member of the Board of Education has elected Social Security. The Educational Service Center's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For Lucas ESC, this amount equaled \$664,814 for the fiscal year ended June 30, 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.

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

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 period, 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 ended June 30, 2000, the minimum pay has been established at \$12,400. For Lucas ESC, the amount to fund health care benefits, including the surcharge, was \$180,620 for the fiscal year ended June 30, 2000.

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. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn three severance days for each year of service up to a maximum of ninety days. Upon retirement, payment is made for up to three days per year worked up to a maximum of ninety days for all employees.

B. Health Care Benefits

Lucas ESC has elected to offer medical benefits through Paramount Health Care, dental benefits through Delta Dental Plan of Ohio, and vision benefits through Vision Service Plan to all full-time employees. Lucas ESC also offers life insurance to all employees through the Ohio School Boards Association.

NOTE 13 - LONG-TERM OBLIGATIONS

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

	Balance at 6/30/99	Additions	Deductions	Balance at 6/30/2000
Compensated Absences Payable	\$439,454	\$52,416		\$491,870
Intergovernmental Payable	58,804	94,147	\$58,804	94,147
Capital Leases Payable	4,865		4,865	
Total General Long-Term Obligations	\$503,123	\$146,563	\$63,669	\$586,017

Compensated absences and intergovernmental payables, representing Lucas ESC's contractually required pension contribution, will be paid from the fund from which the employees' salaries are paid. Capital leases were paid from the General Fund.

NOTE 14 - CAPITALIZED LEASES - LESSEE DISCLOSURE

Lucas ESC has entered into capitalized leases for equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which

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

defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$36,600. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments, in the amount of \$4,865, were made during fiscal year 2000.

There are no outstanding payment obligations for capital leases at fiscal year end 2000.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Penta County Joint Vocational School

The Penta County Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of eleven members, each appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers, one each from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg Exempted Village School District. Lucas ESC's payments to Penta County JVS for the period ended June 30, 2000, totaled \$5,853. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta County Joint Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

B. Northwest Ohio Computer Association

Lucas ESC is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium.

NWOCA is an association of thirty-seven educational entities, primarily school districts, located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity. Lucas ESC's payments to NWOCA for the period ended June 30, 2000, totaled \$21,834. Financial information can be obtained from the Four County Joint Vocational School, Michele M. Zeedyk, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 16 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to Lucas

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2000

(Continued)

ESC. During the fiscal period ended June 30, 2000, Lucas ESC received \$6,431,445 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, if found seven "...major areas warrant further attention, study, and development by the 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 Court found took the place of the unconstitutional emergency school loan assistance program.

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

NOTE 17 - CONTINGENT LIABILITIES

A. Grants

Lucas ESC 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 Lucas ESC at June 30, 2000.

B. Litigation

Lucas ESC is not a party to any litigation proceedings.

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Preschool Grants				
(587-9798)	PG-S199P	84.173	\$18,760	\$26,069
(587-9799)	PG-S100P	84.173	44,857	56,611
Safe and Drug Free Schools and Communities-State Grants				
(584-9001)	DR-S298C	84.186	28,852	37,467
(584-9097)	DR-S198	84.186		
(584-9196)	DR-S297	84.186		
(584-9198)	DR-S299	84.186	144,824	134,558
(584-9199)	DR-S200	84.186	54,637	26,725
(584-9098)	DR-S199C	84.186	17,863	39,737
(584-9099)	DR-S198C	84.186	(571)	
Eisenhower Professional Development State Grants				
(514-9396)	MS-S197	84.281		
(514-9397)	MS-S198	84.281		
(514-9001)	MS-S298C	84.281	15,378	16,203
(514-9002)	MS-S198C	84.281	(396)	53,489
(514-9398)	MS-S200	84.281	44,031	
(514-9498)	MS-S200	84.281		94,808
Goals 2000-State and Local Education Systemic Improvement				
(599-9299)	G2-S398C	84.276	77,496	43,181
(599-9399)	G2-S300	84.276	100,000	76,595
(599-9002)	G2-S499	84.276	40,000	41,440
(599-9003)	G2-S500	84.276	17,500	17,500
(599-9004)	G2-SP00	84.276	9,432	9,432
Technology Literacy Challenge Fund Grants				
(450-9000)	TF-SA99P	84.318		
Total Ohio Department of Education			<u>612,663</u>	<u>673,815</u>
Total U.S. Department of Education			<u>612,663</u>	<u>673,815</u>
U.S. DEPARTMENT OF LABOR				
<i>Passed Through Toledo Private Industry Council</i>				
Job Training Partnership Act - Title II				
(502-9598)		17.250	3,301	3,301
(502-9599)		17.250	253,958	253,958
(502-9600)		17.250	82,929	82,929
(502-9699)		17.250	5,589	5,589
(502-9798)		17.250	57	57
(502-9799)		17.250	32,462	32,462
(502-9999)		17.250	43,842	43,842
Total Toledo Private Industry Council			<u>422,138</u>	<u>422,138</u>

(Continued)

LUCAS COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF LABOR (Continued)				
<i>Passed Through Ohio Department of Education:</i>				
Employment Services and Job Training Pilot Program (502-9797)		17.249	\$361	\$361
(599-9899)		17.249	186,172	182,915
(599-9999)		17.249	<u>292,967</u>	<u>293,023</u>
Total Ohio Department of Education			<u>479,500</u>	<u>476,299</u>
Total U. S. Department of Labor			<u>901,638</u>	<u>898,437</u>
U.S. DEPARTMENT OF HUMAN AND HEALTH SERVICES				
<i>Passed Through Ohio Department of Education</i>				
Learn and Serve America-School and Community Based (599-9001)	SV-S198C	94.004	<u>(1,877)</u>	<u>6,537</u>
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Passed Through Ohio Department of Transportation</i>				
State and Community Highway Safety (019-9297)		20.600		2
(019-9298)		20.600	49,189	25,341
(019-9299)		20.600	<u>17,390</u>	<u>29,038</u>
Total U.S. Department of Transportation			<u>66,579</u>	<u>54,381</u>
U.S. DEPARTMENT OF DEFENSE				
<i>Direct Program:</i>				
Jr. R.O.T.C.		12.XXX	<u>49,607</u>	<u>62,177</u>
Total U.S. Department of Defense			<u>49,607</u>	<u>62,177</u>
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$1,628,610</u>	<u>\$1,695,347</u>

The accompanying notes are an integral part of this schedule

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

**Notes to Schedule of Federal Awards Expenditures
Fiscal Year Ended June 30, 2000**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

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LUCAS COUNTY EDUCATIONAL SERVICE CENTER

**ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE II
FOR THE YEAR ENDING JUNE 30, 2000**

CONTRACT NUMBER/COST CENTER	ALLOCATION	ADMINISTRATION MAXIMUM 20%	DIRECT TRAINING MINIMUM 50%	TRAINING RELATED & SUPPORTIVE SERVICES MAXIMUM 30%
108-22-98/(502-9598)				
TOTAL ALLOCATION	\$242,000	\$0	\$228,020	\$13,980
Expenditures:				
Expenditures 7/1/98 to 6/30/99	238,699	0	228,020	10,679
Expenditures 7/1/99 to 6/30/00	3,301	0	0	3,301
Total Expenditures	242,000	0	228,020	13,980
Unexpended Funds	0	0	0	0
Percentage of Allocation	0.00%	0.00%	0.00%	0.00%
Budget:				
FY 99 Budget	3,301	0	0	3,301
Percentage Achieved	100.00%	0.00%	100.00%	100.00%
108-22-98/(502-9599)				
TOTAL ALLOCATION	267,394	0	209,212	58,182
Expenditures:				
Expenditures 7/1/99 to 6/30/00	253,958	0	200,012	53,945
Total Expenditures	253,958	0	200,012	53,945
Unexpended Funds	13,436	0	9,200	4,237
Percentage of Allocation	5.02%	0.00%	4.40%	7.28%
Budget:				
FY 2001 Budget	13,437	0	9,200	4,237
Percentage Achieved	100.00%	0.00%	100.00%	100.00%
108-28-99/(502-9600)				
TOTAL ALLOCATION	83,564	0	31,286	52,278
Expenditures:				
Expenditures 7/1/99 to 6/30/00	82,929	0	31,286	51,643
Total Expenditures	82,929	0	31,286	51,643
Unexpended Funds	635	0	0	635
Percentage of Allocation	0.76%	0.00%	0.00%	1.21%
Budget:				
FY 01 Budget	635	0	0	635
Percentage Achieved	100.00%	0.00%	100.00%	100.00%

(Continued)

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE II
FOR THE YEAR ENDING JUNE 30, 2000
(Continued)

CONTRACT NUMBER/COST CENTER	ALLOCATION	ADMINISTRATION MAXIMUM 20%	DIRECT TRAINING MINIMUM 50%	TRAINING RELATED & SUPPORTIVE SERVICES MAXIMUM 30%
108-28-98/(502-9699)				
TOTAL ALLOCATION	73,000	0	62,780	10,220
Expenditures:				
Expenditures 7/1/98 to 6/30/99	67,411	0	57,491	9,920
Expenditures 7/1/99 to 6/30/00	5,589	0	5,289	300
Total Expenditures	73,000	0	62,780	10,220
Unexpended Funds	0	0	0	0
Percentage of Allocation	0.00%	0.00%	0.00%	0.00%
Budget:				
FY 2000 Budget	5,589	0	5,289	300
Percentage Achieved	100.00%	0.00%	100.00%	100.00%
108-33-97/(502-9798)				
TOTAL ALLOCATION	179,380	5,804	172,076	1,500
Expenditures:				
Expenditures 7/1/97 to 6/30/98	20,849	0	20,821	28
Expenditures 7/1/98 to 6/30/99	158,474	5,804	151,198	1,472
Expenditures 7/1/99 to 6/30/00	57	0	57	0
Total Expenditures	179,380	5,804	172,076	1,500
Unexpended Funds	0	0	0	0
Percentage of Allocation	0.00%	0.00%	0.00%	0.00%
Budget:				
FY 00 Budget	57	0	57	0
Percentage Achieved	100.00%	100.00%	100.00%	100.00%
108-33-98/(502-9799)				
TOTAL ALLOCATION	32,700	300	30,108	2,292
Expenditures:				
Expenditures 7/1/99 to 6/30/00	32,462	300	29,870	2,292
Total Expenditures	32,462	300	29,870	2,292
Unexpended Funds	238	0	238	0
Percentage of Allocation	0.73%	0.00%	0.79%	0.02%
Budget:				
FY 2001 Budget	238	0	238	0
Percentage Achieved	100.00%	100.00%	100.00%	99.98%

(Continued)

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE II
FOR THE YEAR ENDING JUNE 30, 2000
(Continued)

CONTRACT NUMBER/COST CENTER	ALLOCATION	ADMINISTRATION MAXIMUM 20%	DIRECT TRAINING MINIMUM 50%	TRAINING RELATED & SUPPORTIVE SERVICES MAXIMUM 30%
<u>108-22-99/(502-9999)</u>				
TOTAL ALLOCATION	47,870	0	37,470	10,400
<u>Expenditures:</u>				
Expenditures 7/1/99 to 6/30/00	43,842	0	33,442	10,400
Total Expenditures	43,842	0	33,442	10,400
Unexpended Funds	4,028	0	4,028	0
Percentage of Allocation	8.41%	0.00%	10.75%	0.00%
<u>Budget:</u>				
FY 2001 Budget	4,028	0	4,028	0
Percentage Achieved	100.00%	100.00%	100.00%	100.00%

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

**SCHEDULE OF VARIANCES
FOR THE YEAR ENDING JUNE 30, 2000**

<u>TITLE II</u>	<u>PRIVATE INDUSTRY COUNCIL</u>	<u>AUDIT REPORT</u>	<u>VARIANCES</u>
108-22-98	\$3,301	\$3,301	\$0
108-22-99	253,958	253,958	0
108-28-99	82,929	82,929	0
108-28-98	5,589	5,589	0
108-33-97	57	57	0
108-33-97	32,462	32,462	0
108-22-99	43,842	43,842	0
Total CFDA #17.250	<u>\$422,138</u>	<u>\$422,138</u>	<u>\$0</u>



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

Lucas County Educational Service Center
415 Emerald Avenue, 2nd Floor
Toledo, Ohio 43602-1817

To the Board:

We have audited the financial statements of Lucas County Educational Service Center (Lucas ESC) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 12, 2001. 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 Lucas ESC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lucas ESC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Lucas ESC in a separate letter dated January 12, 2001.

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

Jim Petro
Auditor of State

January 12, 2001



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

Lucas County Educational Service Center
415 Emerald Avenue, 2nd Floor
Toledo, Ohio 43602-1817

To the Board:

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

January 12, 2001

LUCAS COUNTY EDUCATIONAL SERVICE CENTER

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Job Training Partnership Act CFDA #17.250 Employment Services and Job Training Pilot Program CFDA #84.186
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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LUCAS COUNTY EDUCATIONAL SERVICE CENTER

LUCAS 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
FEBRUARY 08, 2001**