



**EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Educational Service Center (the Center), Logan County, as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Logan County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2001, 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 3, 2001

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**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$393,369	\$78,379	
Receivables:			
Accounts	47,923	77,055	
Intergovernmental	75,652	6,382	
Advance to Other Funds	88,272		
Interfund	10,139		
Fixed Assets			
Other Debits:			
Amount to be Provided from General Government Resources			
Total Assets and Other Debits	<u>\$615,355</u>	<u>\$161,816</u>	
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	\$23,953	\$4,658	
Accrued Wages and Benefits	144,483	11,317	
Compensated Absences Payable	8,672	250	
Intergovernmental Payable	159,029	7,400	
Due to Students			
Advances From Other Funds		88,272	
Interfund Payable		762	907
Undistributed Monies			
Deferred Revenue	23,824	23,438	
Total Liabilities	<u>359,961</u>	<u>136,097</u>	<u>907</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			(907)
Fund Balances:			
Reserved:			
Reserved for Encumbrances		13,635	
Reserved for Advances	88,272		
Unreserved:			
Unreserved, Undesignated	167,122	12,084	
Total Fund Equity and Other Credits	<u>255,394</u>	<u>25,719</u>	<u>(907)</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$615,355</u>	<u>\$161,816</u>	

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

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$94,343			\$566,091
26,508			151,486
			82,034
			88,272
			10,139
	\$80,382		80,382
		140,289	140,289
<u>\$120,851</u>	<u>\$80,382</u>	<u>\$140,289</u>	<u>\$1,118,693</u>
\$7,956			\$36,567
598			156,398
		\$129,629	138,551
		10,660	177,089
2,470			2,470
			88,272
8,470			10,139
66,259			66,259
			47,262
<u>85,753</u>		<u>140,289</u>	<u>723,007</u>
	\$80,382		80,382
			(907)
103			13,738
			88,272
\$34,995			214,201
<u>35,098</u>	<u>80,382</u>		<u>395,686</u>
<u>\$120,851</u>	<u>\$80,382</u>	<u>\$140,289</u>	<u>\$1,118,693</u>

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Revenues:				
Intergovernmental	\$1,448,892	\$195,472		\$1,644,364
Interest	29,297			29,297
Tuition and Fees	277,418	137,045		414,463
Customer Service	232,889		33,908	266,797
Gifts and Donations		148,390	32,334	180,724
Miscellaneous	6,661	5,498		12,159
Total Revenues	<u>1,995,157</u>	<u>486,405</u>	<u>66,242</u>	<u>2,547,804</u>
Expenditures:				
Current:				
Instruction				
Regular	4,576			4,576
Special	753,665	215,862		969,527
Support services:				
Pupils	527,483	6,611		534,094
Instructional Staff	364,816	52,251	36,725	453,792
Board of Education	6,342			6,342
Administration	148,140	8,838		156,978
Fiscal	228,944			228,944
Operation and Maintenance of Plant	17,026			17,026
Central	18,011	155,414		173,425
Non-Instructional	12,919		4,464	17,383
Total Expenditures	<u>2,081,922</u>	<u>438,976</u>	<u>41,189</u>	<u>2,562,087</u>
Excess of Revenues Over (Under) Expenditures	(86,765)	47,429	25,053	(14,283)
Other Financing Sources				
Proceeds from Sale of Fixed Assets	1,200			1,200
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(85,565)	47,429	25,053	(13,083)
Fund Balance at Beginning of Year	<u>340,959</u>	<u>(21,710)</u>	<u>10,045</u>	<u>329,294</u>
Fund Balance at End of Year	<u>\$255,394</u>	<u>\$25,719</u>	<u>\$35,098</u>	<u>\$316,211</u>

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

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LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Governmental Fund Types		
	General		Variance: Favorable (Unfavorable)	Special Revenue		Variance: Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
Revenues:						
Intergovernmental	\$1,411,839	\$1,379,030	(\$32,809)	\$192,205	\$192,928	\$723
Interest	29,297	29,297				
Tuition and Fees	261,261	261,261		130,000	111,013	(18,987)
Gifts and Donations				23,053		(23,053)
Customer Service	306,334	232,888	(73,446)		148,390	148,390
Miscellaneous	6,255	6,255		110,883	5,498	(105,385)
Total Revenues	2,014,986	1,908,731	(106,255)	456,141	457,829	1,688
Expenditures:						
Current:						
Instruction:						
Regular	4,900	4,726	174	16,800		16,800
Special	818,953	714,076	104,877	246,739	210,315	36,424
Other						
Support services:						
Pupils	539,222	518,788	20,434	7,501	6,611	890
Instructional Staff	421,505	361,929	59,576	56,806	50,368	6,438
Board of Education	8,450	6,644	1,806			
Administration	160,223	144,958	15,265	20,223	8,838	11,385
Fiscal	322,758	229,062	93,696			
Operation and Maintenance of Plant	99,918	27,325	72,593			
Central	91,523	17,300	74,223	155,402	155,402	
Non Instructional	13,128	12,281	847			
Extracurricular activities						
Total Expenditures	2,480,580	2,037,089	443,491	503,471	431,534	71,937
Excess of Revenues Over (Under) Expenditures	(465,594)	(128,358)	337,236	(47,330)	26,295	73,625
Other Financing Sources and Uses						
Proceeds from Sale of Fixed Assets	1,200	1,200				
Refund of Prior Year Expenditures		406	406			
Refund of Prior Year Receipts				(12)	(12)	
Advances In				762	762	
Advances Out		10,139	10,139			
Total Other Financing Sources (Uses)	1,200	(8,533)	(9,733)	750	750	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(464,394)	(136,891)	327,503	(46,580)	27,045	73,625
Fund Balances at Beginning of Year	512,057	512,057		49,268	49,268	
Prior Year Encumbrances Appropriated	3,599	3,599		2,067	2,067	
Fund Balance at end of Year	\$51,262	\$378,765	\$327,503	\$4,755	\$78,380	\$73,625

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

Fiduciary Fund Type		
Expendable Trust		
Budget	Actual	Variance: Favorable (Unfavorable)
\$46,688	\$32,334	(\$14,354)
200		(\$200)
<u>10,429</u>	<u>7,400</u>	<u>(\$3,029)</u>
<u>57,317</u>	<u>39,734</u>	<u>(17,583)</u>
44		44
51,221	36,326	14,895
5,710	4,464	1,246
131		131
<u>57,106</u>	<u>40,790</u>	<u>16,316</u>
<u>211</u>	<u>(1,056)</u>	<u>(1,267)</u>
211	(1,056)	(1,267)
10,125	10,125	
481	481	
<u>\$10,817</u>	<u>\$9,550</u>	<u>(\$1,267)</u>

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Other Revenues	\$3,098
Operating Expenses	
Purchased Services	10,795
Materials and Supplies	2,758
Total Operating Expenses	13,553
Operating (Loss)	(10,455)
Retained Earnings at Beginning of Year	9,548
Retained Earnings at End of Year	(\$907)

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Type
	Enterprise
Increase(Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$3,098
Other Cash Receipts	(2,758)
Cash Payments for Contract Services	(10,795)
Net Cash Provided (Used) by Operating Activities	(10,455)
Cash Flows from Noncapital Financing Activities:	
Advances In	907
Net Increase (Decrease) in Cash and Cash Equivalents	(9,548)
Cash and Cash Equivalents at Beginning of Year	9,548
Cash and Cash Equivalents at End of Year	\$0
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(\$10,455)
Net Cash Provided (Used) by Operating Activities	(\$10,455)

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

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**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

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

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

Reporting Entity

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Center 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 of the Center.

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 does not have any component units.

The Center is associated with several organizations, which are defined as jointly-governed organizations and two public entity risk pools. These organizations include the Western Ohio Computer Organization, Ohio Hi-Point Joint Vocational School, the West Central Ohio Special Education Regional Resource Center, the Logan County Family and Children First Council, the Logan County Schools Benefit Plan Association, and the Ohio School Boards Association Worker's Compensation Group Rating Plan. These organizations are discussed in Notes 17 and 18 to the general-purpose financial statements.

The Center serves as fiscal agent for the Family and Children First Council, a jointly-governed organization for the Center. The Center also is the cash conduit for various grant funds belonging to the three school districts within the County. Accordingly, this activity is presented as agency funds within the Center's financial statements.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

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 Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Center's accounting policies are described below.

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 governmental, proprietary, and fiduciary.

1. 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 (other than major capital projects) that are legally restricted to expenditure for specified purposes.

2. Proprietary Fund Types:

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Fiduciary Fund Types:

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

4. 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, other than those accounted for in the proprietary funds.

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

B. Measurement Focus and Basis of Accounting

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

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

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund type.

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenses 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 Board 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 appropriated to their district.

Advances in and out do not balance on the combined budgetary statement. This is do to the repayment of an advance from an Agency Fund, which do not present operating activity, to the General Fund.

1. Appropriations:

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

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

2. Encumbrances:

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

3. 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.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through the Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Investment earnings are allocated as authorized by State statute. Following Ohio Statutes, the Center allocates all interest earnings to the General Fund. Interest revenue in fiscal year 2001 totaled \$29,297.

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

E. Estimates

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

F. Fixed Assets and Depreciation

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

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

G. Intergovernmental Revenues

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

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

Entitlements

- General Fund
- State Foundation Program

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds

Reading Recovery
Local Professional Development
Early Childhood Development Grant
Education Management Information Systems
School Net Professional Development

Alternative School
TOPS Grant
Eisenhower Grant
Juvenile Accountability Grant
Preventative Health
Drug-Free Grant
Miscellaneous State Grants

Grants and entitlements amounted to approximately 65 percent of the Center's operating revenue during the 2001 fiscal year.

Flow-Through Grants

The Center is the primary recipient of grants which are passed-through or spent on behalf of the school districts within the County. When the Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. Grants in which the Center has no financial or administrative role and are passed-through to the school districts in the county are reported in an agency fund.

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the 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 after twenty years of current service with the Center, or after fifteen years of service and at least forty-five years of age, or after five years of service and at least fifty years of age. 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.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Accrued Liabilities and Long-Term Obligations

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

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

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

M. Total Columns on General-Purpose Financial Statements

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". This statement establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. The adoption of this statement did not materially affect the financial statements as of June 30.

4. ACCOUNTABILITY AND COMPLIANCE

A. ACCOUNTABILITY

At June 30,2001, the Martha Holden Jennings/Evans and the Music and Art Festival funds had deficit fund balances of \$85,808 and \$907, respectively, which were created by the application of generally accepted accounting principles.

B. COMPLIANCE

The Treasurer did not certify all expenditures prior to the obligation being incurred which violates Ohio Rev. Code Section 5705.41(D).

5. 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 and Actual (Non-GAAP Budget Basis) - All Governmental Fund Types and Similar Fiduciary Fund Type 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 for governmental fund types (GAAP basis).

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Special Revenue	Expendable Trust
Budget Basis	(\$136,891)	\$27,045	(\$1,056)
Adjustments for:			
Revenue Accruals	86,020	28,576	26,508
Expenditure Accruals	(59,438)	(23,381)	(8,458)
Other Sources/Uses	10,139	(762)	
Encumbrances	14,605	15,951	8,059
GAAP Basis	(\$85,565)	\$47,429	\$25,053

6. DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the 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 monies deposited with the institution.

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

1. United States treasury notes, bills, bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the Center's deposits was \$566,091 and the bank balance was \$746,686. Of the bank balance, \$228,349 was covered by federal depository insurance, \$518,337 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Center to a successful claim by the Federal Deposit Insurance Corporation.

7. 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 school districts to which the Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

7. STATE FUNDING (Continued)

The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by \$37. 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 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 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 district's approve or disapprove, the additional apportionment.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of accounts (excess costs), intergovernmental (tuition and fees, and grants) and interfund. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Change in Balance at 6/30/00	Restatement of Balance at 6/30/00	Additions	Deletions	Balance at 6/30/00
Furniture and Equipment	\$96,297	(\$10,262)	\$86,035	\$7,591	\$13,244	\$80,382
Motor Vehicles	10,520		10,520		10,520	
Total Fixed Assets	<u>\$106,817</u>	<u>(\$10,262)</u>	<u>\$96,555</u>	<u>\$7,591</u>	<u>\$23,764</u>	<u>\$80,382</u>

The restatement of the 6/30/00 balance was due to a misclassification of assets. Assets, in the amount of \$10,262, which belong to the Logan County Family and Children First Council were incorrectly included in the Center's assets.

10. RISK MANAGEMENT

A. Property and Liability

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 2001, the Center contracted with Nationwide Insurance for general liability insurance. Property is also protected by Nationwide Insurance. Coverage's provided by Nationwide Insurance are as follows:

Building and Contents - replacement cost (\$250 deductible)	\$ 200,900
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000
Employee Benefit Liability	100,000

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

10. RISK MANAGEMENT (Continued)

B. Health Insurance

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

C. Workers' Compensation

For fiscal year 2001, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

11. DEFINED BENEFIT PENSION PLANS

1. School 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 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, 2001, 2000, and 1999, were \$98,232, \$68,198, and \$64,206 respectively; none has been contributed for fiscal year 2001 and 100 percent for fiscal year 2000. The unpaid contribution for fiscal year 2001 is recorded as a fund liability.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

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 School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 2001, 4.2 percent was the portion used to fund pension obligations. For fiscal year 2000, 5.5 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, 2001, 2000, and 1999, were \$20,402, \$19,268, and \$32,352, respectively; 100 percent has been contributed for each fiscal year.

12. POSTEMPLOYMENT BENEFITS

The Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$46,531 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 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.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay has been established at \$12,400. For the Center, the amount to fund health care benefits, including the surcharge, was \$47,605 for fiscal year 2001.

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, 2000, were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Life Insurance

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

14. LONG-TERM OBLIGATIONS

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

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/01
Pension Obligation	\$6,391	\$4,269		\$10,660
Compensated Absences	57,490	\$72,139		129,629
Total Long-Term Obligations	\$63,881	\$76,409		\$140,289

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

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. INTERFUND ACTIVITY

As of June 30, 2001, long term receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Advances To	Advances From
General	\$88,272	
Special Revenue		\$88,272
Total All Funds	\$88,272	\$88,272

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Center maintains two enterprise funds to account for the services provided to students through the Saturday Enrichment Program and the Music and Art Festival. The table below reflects the more significant financial data relating to the enterprise fund of the Center as of and for the fiscal year ended June 30, 2001:

	Music & Art Festival	Saturday Enrichment Program	Total Enterprise
Operating Revenues	\$3,098		\$3,098
Operating Income (Loss)	(921)	(9,534)	(10,455)
Net (Loss)	(921)	(9,534)	(10,455)
Net Working Capital	(921)		
Total Assets			
Total Liabilities	907		907
Total Equity	(907)		(907)

17. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization - The Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent upon the software package utilized. The governing board of WOCO consists of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of the joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Sharon Waldsmith, who serves as the fiscal agent, at 129 East Court Street, 4th Floor, Sidney, Ohio 45365.

**LOGAN COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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 board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms 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 Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385

Family and Children First Council -The Family and Children First Council provides services to multi-need youth in Logan County. Members of the council include but are not limited to the Logan County Board of Mental Retardation and Development Disabilities, Mental Health Board, Logan County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Logan County Head Start, Logan County Board of Health, Logan County Human Services, Logan County Educational Service Center and the Ohio Department of Youth Services. The operation of the council is controlled by an advisory committee which consists of a representative from each agency. Funding comes mainly from the State of Ohio.

18. PUBLIC ENTITY RISK POOLS

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

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

19. CONTINGENT LIABILITIES

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2001.

20. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 3, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as a basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the Center is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

21. RELATED PARTY TRANSACTIONS

The Center provides fiscal agent services to the Family and Children First Council of Logan County (the "Council"). The balance sheet shows an interfund payable in the Agency Fund, in the amount of \$8,470, which represents an advance made from the Center to the Council's Early Intervention/Project Child Fund. This advance was to provide funds until the Council receives their grant money. At that time the advance will be paid back to the Center.



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

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

To the Board of Education:

We have audited the financial statements of the Educational Service Center (the Center), Logan County, as of and for the year ended June 30, 2001, and have issued our report thereon dated December 3, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 2001-10246-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Center in a separate letter dated December 3, 2001.

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.

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

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

Jim Petro
Auditor of State

December 3, 2001

LOGAN COUNTY EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2000

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

Finding Number 2001-10246-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from an any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 for educational service centers may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty-two percent of the transactions tested were not certified by the Treasurer prior to making orders for the expenditure of Center funds. In addition, neither of the two exceptions above were utilized for these transactions.

Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of Center funds.

EDUCATIONAL SERVICE CENTER
LOGAN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10246-001	ORC Section 5705.41 (D), prior certification of funds	No	Repeated in this report as item 2001-10246-001.



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LOGAN COUNTY EDUCATIONAL SERVICE CENTER

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2001**