



**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

EDUCATIONAL SERVICE CENTER
CLARK COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Clark County Educational Service Center
Clark County
1211 Old Mill Road
Springfield, Ohio 45506

We have audited the accompanying general-purpose financial statements of the Clark County Educational Service Center (the Service Center), Clark 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 Service 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 Clark County Educational Service Center, Clark County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 17, during the year ended June 30, 2001, the Service Center adopted Governmental Accounting Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and 36, "Recipient Reporting for Certain Shared Nonexchange Revenues".

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2002 on our consideration of the Service 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

January 11, 2002

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**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
Assets and Other Debits						
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$968,368	\$61,384	\$502,111			\$1,531,863
Receivables:						
Intergovernmental	102,382					102,382
Fixed Assets				262,995		262,995
Other Debits:						
Amount to be Provided for Retirement of General Long-Term Obligations					174,980	174,980
Total Assets and Other Debits	<u>1,070,750</u>	<u>61,384</u>	<u>502,111</u>	<u>262,995</u>	<u>174,980</u>	<u>2,072,220</u>
Liabilities, Fund Equity and Other Credits						
Liabilities:						
Accounts Payable	49,128	112				49,240
Accrued Wages Payable	357,970	17,429				375,399
Compensated Absences Payable	11,996				115,402	127,398
Intergovernmental Payable	296,885	567			7,601	305,053
Undistributed Monies			502,111			502,111
Capital Leases Payable					51,977	51,977
Total Liabilities	<u>715,979</u>	<u>18,108</u>	<u>502,111</u>		<u>174,980</u>	<u>1,411,178</u>
Fund Equity and Other Credits:						
Investment in General Fixed Assets				262,995		262,995
Fund Balance:						
Reserved for Encumbrances	36,779	7,985				44,764
Unreserved, Undesignated	317,992	35,291				353,283
Total Fund Equity and Other Credits	<u>354,771</u>	<u>43,276</u>		<u>262,995</u>		<u>661,042</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$1,070,750</u>	<u>\$61,384</u>	<u>\$502,111</u>	<u>\$262,995</u>	<u>\$174,980</u>	<u>\$2,072,220</u>

See Accompanying Notes to the General Purpose Financial Statements.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Revenues:				
Intergovernmental	\$2,808,466	\$131,640		\$2,940,106
Interest	63,659			63,659
Gifts & Donations		4,000		4,000
Charges for Services	583,637			583,637
Miscellaneous	98,227			98,227
Total Revenues	<u>3,553,989</u>	<u>135,640</u>		<u>3,689,629</u>
Expenditures:				
Current:				
Instruction:				
Regular	25,273			25,273
Special	686,896	734		687,630
Support Services:				
Pupils	862,929			862,929
Instructional Staff	1,281,198	124,064		1,405,262
Board of Education	17,967			17,967
Administration	604,386	1,500		605,886
Fiscal	86,595			86,595
Business	70,640			70,640
Operation and Maintenance of Plant	16,791			16,791
Central	82			82
Extracurricular Activities			1,028	1,028
Capital Outlay	57,536			57,536
Debt Service:				
Principal Retirement	16,217			16,217
Interest and Fiscal Charges	2,718			2,718
Intergovernmental		49,491		49,491
Total Expenditures	<u>3,729,228</u>	<u>175,789</u>	<u>1,028</u>	<u>3,906,045</u>
Revenues (Under) Expenditures	(175,239)	(40,149)	(1,028)	(216,416)
Other Financing Source:				
Inception of Capital Lease	57,536			57,536
Revenues and Other Financing Sources (Under) Expenditures	(117,703)	(40,149)	(1,028)	(158,880)
Fund Balances at Beginning of Year	<u>472,474</u>	<u>83,425</u>	<u>1,028</u>	<u>556,927</u>
Fund Balances at End of Year	<u>\$354,771</u>	<u>\$43,276</u>	<u>\$0</u>	<u>\$398,047</u>

See Accompanying Notes to the General Purpose Financial Statements.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

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

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$2,808,466	\$2,808,466	
Interest	63,659	63,659	
Charges for Services	520,982	520,982	
Gifts & Donations			
Miscellaneous	98,227	98,227	
Total Revenues	<u>3,491,334</u>	<u>3,491,334</u>	
Expenditures:			
Current:			
Instruction:			
Regular	21,670	18,999	2,671
Special	692,218	652,768	39,450
Support Services:			
Pupils	982,135	928,716	53,419
Instructional Staff	1,814,594	1,230,607	583,987
Board of Education	24,648	17,971	6,677
Administration	657,482	609,080	48,402
Fiscal	91,065	85,910	5,155
Business	83,747	80,452	3,295
Operation and Maintenance of Plant	35,945	20,429	15,516
Central	1,000	82	918
Extracurricular Activities			
Total Expenditures	<u>4,404,504</u>	<u>3,645,014</u>	<u>759,490</u>
Excess of Revenues Over (Under) Expenditures	<u>(913,170)</u>	<u>(153,680)</u>	<u>759,490</u>
Other Financing Sources (Uses):			
Other Financing Uses	<u>(50,000)</u>		<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>		<u>(50,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(963,170)</u>	<u>(153,680)</u>	<u>809,490</u>
Fund Balances at Beginning of Year	969,777	969,777	
Prior Year Encumbrances Appropriated	<u>56,933</u>	<u>56,933</u>	
Fund Balances at End of Year	<u>\$63,540</u>	<u>\$873,030</u>	<u>\$809,490</u>

See Accompanying Notes to the General Purpose Financial Statements.

Special Revenue Funds			Expendable Trust Fund			Total (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$135,990	\$135,990					\$2,944,456	\$2,944,456	
						63,659	63,659	
						520,982	520,982	
4,000	4,000					4,000	4,000	
						98,227	98,227	
<u>139,990</u>	<u>139,990</u>					<u>3,631,324</u>	<u>3,631,324</u>	
						21,670	18,999	2,671
737	734	3				692,955	653,502	39,453
						982,135	928,716	53,419
224,159	178,592	45,567				2,038,753	1,409,199	629,554
						24,648	17,971	6,677
7,100	1,500	5,600				664,582	610,580	54,002
						91,065	85,910	5,155
						83,747	80,452	3,295
						35,945	20,429	15,516
						1,000	82	918
			1,028	1,028		1,028	1,028	
<u>231,996</u>	<u>180,826</u>	<u>51,170</u>	<u>1,028</u>	<u>1,028</u>		<u>4,637,528</u>	<u>3,826,868</u>	<u>810,660</u>
(92,006)	(40,836)	51,170	(1,028)	(1,028)		(1,006,204)	(195,544)	810,660
						(50,000)		(50,000)
						(50,000)		50,000
(92,006)	(40,836)	51,170	(1,028)	(1,028)		(1,056,204)	(195,544)	860,660
89,802	89,802		1,028	1,028		1,060,607	1,060,607	
2,213	2,213					59,146	59,146	
<u>\$9</u>	<u>\$51,179</u>	<u>\$51,170</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$63,549</u>	<u>\$924,209</u>	<u>\$860,660</u>

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**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. REPORTING ENTITY AND DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Clark County Educational Service Center is located in Springfield, Ohio, the county seat. The Educational Service Center operates under a locally-elected five-member Board form of government and provides educational services by state and federal agencies. The Board controls the District's 33 support staff employees and 50 certificated employees who provide services to the staff and students of the six local school districts.

The Clark County Educational Service Center was established in 1914 in response to recommendations from the Ohio State School Survey Commission. Senate Bill 9, passed on February 4, 1914, provided for the standardization of schools and established the county educational service center.

Since 1914, county superintendents have been involved in various areas of administration and perform many services, which include, but are not limited to the following: cooperative programs, supervision, liaison between local school districts and the Department of Education, health insurance programs, and special education services. Many of those services have been initiated by the county office of education without being legislatively mandated.

The Clark County Educational Service Center consists of five elected board members, a superintendent, a treasurer, and employees. The Clark County Educational Service Center is a chartered school district and was chartered on July 21, 1989, by the State Board of Education.

The Clark County Educational Service Center serves six local school districts: Greenon Local, Northeastern Local, Northwestern Local, Southeastern Local, Clark-Shawnee Local and Tecumseh Local. It also works with the Springfield/Clark County JVS in the areas of inservice of administrators. Springfield City Schools and the Clark County Educational Service Center have entered into a city/county agreement to provide services in designated areas.

Under S.B. 140, county educational service centers are required to appoint business advisory councils. The Clark County Educational Service Center has appointed a Business Advisory Council which is strictly voluntary on the part of the members. There is no financial responsibility of the Clark County Educational Service Center for this council.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure 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 Clark County Educational Service Center. For the Clark County Educational Service Center, this includes all general operations.

Component units are legally separate organizations for which the Center is financially accountable. The Educational Service Center is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) it is able to significantly influence the programs or services performed or provided by the organization; or (2) it is legally entitled to or can otherwise access the organizations' recourse; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organizations; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt or the levying of taxes for the organization.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

**1. REPORTING ENTITY AND DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER
(Continued)**

The Clark County Educational Service Center does not have component units.

The Educational Service Center is associated with four organizations which are defined as jointly governed organizations and an insurance purchasing pool. These organizations include the Miami Valley Educational Computer Association (MVECA), the Southwestern Ohio Educational Purchasing Council (SWOEPC), the Clark County Family and Children First Council (Council), Springfield/Clark County Joint Vocational School and the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Pool. Information about these organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

The Clark County Educational Service Center serves as the fiscal agent but is not financially accountable for the Clark County Family and Children First Council (Council).

Accordingly, the activity of this organization is presented as an Agency Fund with the Clark County Educational Service Centers financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Educational Service Center's accounting polices are described below.

A. Basis of Presentation - Fund Accounting

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

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

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

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

2. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Educational Service Center's fiduciary funds include an expendable trust fund and an agency fund. 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 operation.

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 fund and those of a general nature, the following account groups are used:

General Fixed Assets Group

This account group is established to account for all fixed assets of the Educational Service Center.

General Long-Term Obligation Account Group

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

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenditures or expenses 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 funds. Under this basis, revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded in the fiscal year in which resources are measurable and become available. Available means that 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 Educational Service Center, available means expected to be received within sixty days of year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: grants, excess cost, and interest.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported 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 the governmental funds.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

The Educational Service Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Governing Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the 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.

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

1. Appropriations:

The annual appropriation resolution is enacted by the Educational Service Center at the fund, function, and object level of expenditures. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. Budgetary controls require that the appropriation resolution by fund, be within the estimated resources, and the total expenditures and encumbrances not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations within functions, must be approved by the Board of the Educational Service Center. The Educational Service Center may pass supplemental 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. During the year, several supplemental appropriations were enacted; however, the amendments were not significant. 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.

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.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

D. Cash and Cash Equivalents

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

During fiscal year 2001, the District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). 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, 2001.

Following Ohio statute, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings for Clark County Educational Service Center. All interest revenue was credited to the General Fund during fiscal year 2001. The amount credited to the General Fund was \$63,659, which includes \$10,822 assigned from other funds.

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

E. 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 related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of five hundred dollars. The Educational Service Center does not possess 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.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

Vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting methods. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy.

The Educational Service Center records a liability for accumulated vacation time when earned for all employees with more than one year of service. The Educational Service Center records a liability for accumulated unused sick leave for all employees after five years of current service with the Educational Service Center. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

G. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations for the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension contractually required contributions that will be paid from governmental funds are reported as a liability in the general long-term obligation 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 with current available financial resources. Capital leases are reported as a liability of the general long-term obligation account group until due.

H. 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.

I. Fund Balance Reserves

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

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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 could differ from those estimates.

K. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned (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.

3. BUDGETARY BASIS OF ACCOUNTING

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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 and Expendable Trust Fund**

	General	Special Revenue	Expendable Trust
GAAP Basis	(\$117,703)	(\$40,149)	(\$1,028)
Revenue Accruals	(62,655)	4,350	0
Expenditure Accruals	122,017	5,168	0
Encumbrances	<u>(95,339)</u>	<u>(10,205)</u>	<u>0</u>
Budget Basis	<u>(\$ 153,680)</u>	<u>(\$40,836)</u>	<u>(\$1,028)</u>

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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 or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the Educational Service Center's deposits is provided by 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 institute to secure the repayment of all public monies deposited with the institution.

Board policy permits interim monies to be deposited or invested in the following securities:

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- c. Bonds and other obligations of the State of Ohio;
- d. No-load 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;
- e. The State Treasurer's investment pool (STAR Ohio);

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits With Financial Institution, Investments (including Repurchase Agreements)", and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$520,999 bank balance was \$691,241. Of the bank balance, \$100,000 was covered by federal depository insurance and \$591,241 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The Educational Service Center's investments are categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name.

The Educational Service Center only investment at year end was STAR Ohio, an investment pool operated by the Ohio State Treasurer. It is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The Clark County Educational Service Center's investment in Star Ohio had a carrying value and market value of \$1,010,864 at June 30, 2001.

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. Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	\$1,531,863	\$ 0
Investment: STAR Ohio	<u>1,010,864</u>	<u>1,010,864</u>
GASB Statement 3	<u>\$ 520,999</u>	<u>\$1,010,864</u>

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. STATE FUNDING

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

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all the school district's served by the Educational Service Center by \$37.00. This amount is provided from State Resources.

If additional funding is needed for the Educational Service Center, and if a majority of the Board of Education of the schools served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school district's approve or disapprove the additional apportionment. The local school districts under the Clark County Educational Service Center pay an additional \$4.50 per student and the city district pay an additional \$6.50 per student.

6. RECEIVABLES

Receivables at June 30, 2001, consisted of special education excess costs. All receivables are considered collectible in full.

7. FIXED ASSETS

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

	Balance at June 30, 2000	Additions	Deletions	Balance at June 30, 2001
Furniture & Equipment	\$197,268	\$71,660	\$27,913	\$241,015
Vehicles	<u>21,980</u>	<u>0</u>	<u>0</u>	<u>21,980</u>
Totals	<u>219,248</u>	<u>\$71,660</u>	<u>\$27,913</u>	<u>\$262,995</u>

8. RISK MANAGEMENT

The Educational Service Center is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the fiscal year 2001, the Educational Service Center contracted with Nationwide Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate. Property is protected by Nationwide Insurance and holds a \$500 deductible.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. RISK MANAGEMENT (Continued)

The Educational Service Center's vehicles are covered under a business policy with Nationwide Insurance Company and holds a \$100 deductible and a \$1,000,000 limit on any accident.

Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

For the fiscal year 2001, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Pool (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Clark County Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, OH 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the Clark County Educational Service Center is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Clark County Educational Service Center contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was 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 SERS' Retirement Board. The Clark County Educational Service Center contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$91,666, \$69,422, and \$61,059, respectively. One hundred percent has been contributed for all three years. \$7,601 representing the unpaid surcharge contribution for fiscal year 2001, is recorded as a liability within the general long-term obligations account group.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The Clark County Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System 275 East Broad Street, Columbus, OH 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Clark County Educational Service Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension was 6.0 percent. Contribution rates are established by STRS upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$284,561, \$248,595, and \$231,658. Zero percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$284,561 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees are 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, 2001, four members of the governing board have elected social security and one elected SERS. The board's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS fund is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Clark County Educational Service Center, this amount equaled \$183,724 for fiscal year 2001.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the 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. This portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase from 1.3 percent for 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, prorated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the Clark County Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$54,396.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), 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.

11. EMPLOYEE BENEFITS

The criteria for determining vacation, personal and sick leave are derived from board policy and State laws. All twelve month certified employees earn twenty days of vacation per fiscal year; eleven month certified employees earn fifteen days of vacation per fiscal year and ten month certified employees earn ten days of vacation per fiscal year. Teachers do not earn vacation time.

Support staff employees earn ten days of vacation after one year of service; after eight years of service they earn fifteen days of vacation; with fifteen years of service they earn twenty days of vacation and after twenty-five years of service they earn twenty-five days of vacation.

Accumulated, unused vacation must be used by October of the fiscal year following which it is earned.

All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract in which it is earned.

All 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 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life Insurance Company.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the Clark County Educational Service Center has entered into capitalized leases for the acquisition of reproduction equipment. The terms of the agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as program/function expenditures on a budgetary basis. General Fixed Assets acquired by lease have been capitalized in the general fixed assets account group in the amount equal to the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability was recorded in the general long-term obligation account group. Principal payment in fiscal year 2001 totaled \$16,217.

The following is a schedule for the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

	Fiscal Year Ending June 30	General Long-Term Obligation
	2002	\$ 14,633
	2003	14,144
	2004	14,144
	2005	13,015
	<u>2006</u>	<u>1,076</u>
Total Minimum Lease Payments		\$ 57,012
Less: Amount Representing Interest		<u>(5,035)</u>
Present Value of Minimum Lease Payment		<u>\$ 51,977</u>

13. LONG-TERM OBLIGATIONS

The change in the Educational Service Center's long-term obligations during the fiscal year 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
Capital Leases	\$ 10,658	\$57,536	\$16,217	\$ 51,977
Intergovernmental Payables	7,417	7,601	7,417	7,601
Compensated Absences	<u>115,428</u>	<u>0</u>	<u>26</u>	<u>115,402</u>
Total General Long-Term Obligation	<u>\$133,503</u>	<u>\$65,137</u>	<u>\$23,660</u>	<u>\$174,980</u>

The intergovernmental payable represents contractually required pension contributions paid outside the available period. Compensated absences and intergovernmental payable will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the general fund.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Pool - The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Pool (GRP). The GRP business and affairs are conducted by an fourteen member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

15. JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association (MVECA) - The Educational Service Center is a participant in the Miami Valley Educational Computer System (MVECA) which is a computer consortium.

MVECA is an association of public schools within the boundaries of Clark, Clinton, Fayette, Greene, and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia, and Hillsboro.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administer instructional functions among member districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The Educational Service Center paid MVECA \$1,500 for services provided during the year. Financial information can be obtained from Norma Stewart, who serves as Director, at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council (SWOEPC) - SWOEPC is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the fiscal agent for the group. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SWOEPC. Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SWOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SWOEPC shall forfeit its claim to any and all SWOEPC assets. A one year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member will be liable for all member obligations during this one year period. Payments to SWOEPC are made from the general fund. The Center contributed \$ 1,106 for the operation of the consortium during the 2001 fiscal year. To obtain financial information write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Rd., Dayton, Ohio 45424.

Clark County Family and Children First Council - The Clark County Family and Children First Council (the Council) is a voluntary association established for the purpose to coordinate and integrate those services within Clark County which are available for families and children and to establish a comprehensive, coordinated, multi-disciplinary, interagency system for the delivery of such services in order to more effectively meet the needs of families and children.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Board of Trustees is comprised of eighteen representatives of each of the members of the Council, including the Superintendent of the Clark County Educational Service Center, who as appointed by the Superintendents of the Clark County schools. All members are obligated to pay all dues as established by the Council to aid the financing of the operations and programs of the Council. The Educational Service Center did not pay any dues during fiscal year 2001. Any member withdrawing from the Council must give one hundred eighty days written notice to the Council after formal action of the member's governing board. To obtain financial information, write to the Clark County Family and Children First Council, Marilyn Demma, who serves as Treasurer, at 1345 Lagonda, Springfield, OH 45502.

Springfield/Clark County Joint Vocational School - The Springfield/Clark County Joint Vocational School 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 seven participating school districts' elected boards, which possess its own budgeting and taxing authority. One member is appointed from the following: Clark-Shawnee Local School District, Mad River-Green Local School District, Northeastern Local School District, Northwestern Local School District, Southeastern Local School District, Tecumseh Local School District and the Clark County Educational Service Center. One member is appointed from the Springfield City School District. To obtain financial information, write to the Springfield/Clark County Joint Vocational School, Pam Ashbaugh, who serves as Treasurer, 1901 Selma Road, Springfield, OH 45505-4329.

16. CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center as of June 30, 2001.

B. Litigation

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

17. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the Educational Service Center has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". The effect of this change on the excess cost of revenues over expenditures and the effect on opening balances follows:

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

**17. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)**

	<u>Special Revenue</u>
Fund Balance at June 30, 2000	\$79,075
Intergovernmental Receivable	<u>4,350</u>
Restated Fund Balance at June 30, 2000	<u>\$83,425</u>
Excess as Previously Reported	\$27,868
Intergovernmental Revenue	<u>4,350</u>
Restated Excess at June 30, 2000	<u>\$32,218</u>

18. SUBSEQUENT EVENT

A. State Funding

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:

1. 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 distributions not specified.
2. 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 January 11, 2002, 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 used as the 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 School District 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.

**EDUCATIONAL SERVICE CENTER
CLARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. SUBSEQUENT EVENT (Continued)

B. Alternative Class

During August 2001, the Clark County Educational Service Center provided a classroom for the alternative class. Students in this class came from various school districts within the county. The Service Center hired teachers for this class. In return, the Service Center receives alternative state grants and reimbursements from the students' home district. The respective school districts are still responsible for carrying student liability insurances for their students in the class.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Educational Service Center
Clark County
1211 Old Mill Road
Springfield, Ohio 45506

We have audited the financial statements of Clark County Educational Service Center, (the Service Center) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 11, 2002, wherein we noted the Service Center adopted Governmental Accounting Statement Nos. 33 and 36. 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 Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Service 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. We noted a matter involving the internal control over financial reporting that we have reported to management in a separate letter dated January 11, 2002.

Educational Service Center
Clark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management, Governing Board, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLARK COUNTY EDUCATIONAL SERVICE CENTER

CLARK 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 5, 2002**