



**Auditor of State
Betty Montgomery**

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Western Buckeye Educational Service Center
Paulding County
202 N. Cherry St., P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

We have audited the accompanying general-purpose financial statements of the Western Buckeye Educational Service Center, Paulding County, (the Center) as of and for the year ended June 30, 2003, 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 Western Buckeye Educational Service Center as of June 30, 2003, and the results of its operations 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 19, 2003 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.

The accompanying federal awards receipts and expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 19, 2003

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**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003**

	Governmental Fund Types	
	General	Special Revenue
Assets and Other Debits:		
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$1,211,560	\$119,284
Receivables:		
Intergovernmental	140,556	
Accrued Interest	3,067	
Prepaid Items	31,705	78
Fixed Assets		
<u>Other Debits:</u>		
Amount to be Provided from General Governmental Resources		
Total Assets and Other Debits	\$1,386,888	\$119,362
Liabilities, Fund Equity, and Other Credits:		
<u>Liabilities:</u>		
Accounts Payable	\$6,978	\$358
Accrued Wages and Benefits	235,236	40,244
Compensated Absences Payable	14,190	875
Intergovernmental Payable	40,433	5,560
Deferred Revenue	42,082	
Undistributed Assets		
Total Liabilities	338,919	47,037
<u>Fund Equity and Other Credits:</u>		
Investment in General Fixed Assets		
Fund Balance:		
Reserved for Encumbrances	6,188	25,705
Reserved for External Pool Participants		
Unreserved	1,041,781	46,620
Total Fund Equity and Other Credits	1,047,969	72,325
Total Liabilities, Fund Equity and Other Credits	\$1,386,888	\$119,362

See Accompanying Notes to the General-Purpose Financial Statements

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$1,927,868			\$3,258,712
			140,556
3,974			7,041
	\$317,901		31,783
			317,901
		\$149,900	149,900
\$1,931,842	\$317,901	\$149,900	\$3,905,893
			\$7,336
			275,480
		\$133,522	148,587
		16,378	62,371
\$305			42,387
2,391			2,391
2,696		149,900	538,552
	\$317,901		317,901
			31,893
1,929,146			1,929,146
			1,088,401
1,929,146	317,901		3,367,341
\$1,931,842	\$317,901	\$149,900	\$3,905,893

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Revenues:			
Intergovernmental	\$925,363	\$832,587	\$1,757,950
Interest	42,064		42,064
Tuition and Fees	64,241		64,241
Customer Services	2,610,068		2,610,068
Gifts and Donations	155		155
Miscellaneous	35,285		35,285
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>3,677,176</u>	<u>832,587</u>	<u>4,509,763</u>
Expenditures:			
Current:			
Instruction:			
Regular	172,668	320,434	493,102
Special	1,509,912	214,562	1,724,474
Support Services:			
Pupils	758,772		758,772
Instructional Staff	641,170	133,519	774,689
Board of Education	60,491		60,491
Administration	356,899	22,308	379,207
Fiscal	80,945	6,663	87,608
Operation and Maintenance of Plant	9,782		9,782
Central	37,951	25,462	63,413
Non-Instructional Services	3,037		3,037
Intergovernmental		266,356	266,356
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>3,631,627</u>	<u>989,304</u>	<u>4,620,931</u>
Excess of Revenues Over (Under) Expenditures	45,549	(156,717)	(111,168)
Fund Balances at Beginning of Year	<u>1,002,420</u>	<u>229,042</u>	<u>1,231,462</u>
Fund Balances at End of Year	<u><u>\$1,047,969</u></u>	<u><u>\$72,325</u></u>	<u><u>\$1,120,294</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Intergovernmental	\$1,108,851	\$942,701	(\$166,150)
Interest	36,000	34,648	(1,352)
Tuition and Fees	125,200	127,903	2,703
Customer Services	2,381,725	2,615,127	233,402
Gifts and Donations	180	155	(25)
Miscellaneous	29,402	32,894	3,492
	<u>3,681,358</u>	<u>3,753,428</u>	<u>72,070</u>
Total Revenues			
Expenditures:			
Current:			
Instruction:			
Regular	382,604	168,260	214,344
Special	1,606,004	1,510,922	95,082
Support Services:			
Pupils	899,309	772,898	126,411
Instructional Staff	669,698	639,643	30,055
Board of Education	78,497	63,320	15,177
Administration	436,301	356,368	79,933
Fiscal	81,644	80,893	751
Operation and Maintenance of Plant	24,100	9,782	14,318
Central	41,731	39,651	2,080
Non-Instructional Services	6,037	3,037	3,000
Capital Outlay	190,000		190,000
	<u>4,415,925</u>	<u>3,644,774</u>	<u>771,151</u>
Total Expenditures			
Excess of Revenues Over (Under) Expenditures	<u>(734,567)</u>	<u>108,654</u>	<u>843,221</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	1,984	1,984	
Other Financing Uses	(345,986)		345,986
	<u>(344,002)</u>	<u>1,984</u>	<u>345,986</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,078,569)</u>	<u>110,638</u>	<u>1,189,207</u>
Fund Balances at Beginning of Year	1,063,414	1,063,414	
Prior Year Encumbrances Appropriated	15,155	15,155	
	<u>1,078,569</u>	<u>1,078,569</u>	
Fund Balances (Deficit) at End of Year	<u><u> </u></u>	<u><u>\$1,189,207</u></u>	<u><u>\$1,189,207</u></u>

(Continued)

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003
(Continued)**

	<u>Special Revenue Funds</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental	\$839,105	\$832,587	(\$6,518)
Interest			
Tuition and Fees			
Customer Services			
Gifts and Donations			
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>839,105</u>	<u>832,587</u>	<u>(6,518)</u>
Expenditures:			
Current:			
Instruction:			
Regular	335,712	326,360	9,352
Special	517,527	465,635	51,892
Support Services:			
Pupils			
Instructional Staff	180,416	145,366	35,050
Board of Education			
Administration	48,841	46,665	2,176
Fiscal	8,500	8,500	
Operation and Maintenance of Plant			
Central	31,409	30,140	1,269
Non-Instructional Services			
Capital Outlay			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>1,122,405</u>	<u>1,022,666</u>	<u>99,739</u>
Excess of Revenues Over (Under) Expenditures	<u>(283,300)</u>	<u>(190,079)</u>	<u>93,221</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures			
Other Financing Uses			
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	<hr/>	<hr/>	<hr/>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(283,300)	(190,079)	93,221
Fund Balances at Beginning of Year	269,849	269,849	
Prior Year Encumbrances Appropriated	13,451	13,451	
	<hr/>	<hr/>	<hr/>
Fund Balances (Deficit) at End of Year	<u><u> </u></u>	<u><u>\$93,221</u></u>	<u><u>\$93,221</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,947,956	\$1,775,288	(\$172,668)
36,000	34,648	(1,352)
125,200	127,903	2,703
2,381,725	2,615,127	233,402
180	155	(25)
29,402	32,894	3,492
<u>4,520,463</u>	<u>4,586,015</u>	<u>65,552</u>
718,316	494,620	223,696
2,123,531	1,976,557	146,974
899,309	772,898	126,411
850,114	785,009	65,105
78,497	63,320	15,177
485,142	403,033	82,109
90,144	89,393	751
24,100	9,782	14,318
73,140	69,791	3,349
6,037	3,037	3,000
190,000		190,000
<u>5,538,330</u>	<u>4,667,440</u>	<u>870,890</u>
<u>(1,017,867)</u>	<u>(81,425)</u>	<u>936,442</u>
1,984	1,984	
(345,986)		345,986
<u>(344,002)</u>	<u>1,984</u>	<u>345,986</u>
(1,361,869)	(79,441)	1,282,428
1,333,263	1,333,263	
28,606	28,606	
<u><u>\$1,282,428</u></u>	<u><u>\$1,282,428</u></u>	

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Statement of Changes in Net Assets
Fiduciary Fund Type
For the Fiscal Year Ended June 30, 2003**

	<u>Investment Trust</u>
Revenues:	
Interest	\$43,182
Expenses:	
Operating Expenses	
Net Increase in Assets Resulting from Operations	43,182
Distributions to Participants	(40,376)
Capital Transactions	<u>279,490</u>
Total Increase in Net Assets	282,296
Net Assets at Beginning of Year	<u>1,646,850</u>
Net Assets at End of Year	<u><u>\$1,929,146</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

1. REPORTING ENTITY

Western Buckeye Educational Service Center (the Educational Service Center) is located in Paulding, Ohio, the county seat of Paulding County. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Antwerp, Crestview, Lincolnview, and Wayne Trace Local School Districts, the Paulding Exempted Village School District, and the Van Wert City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board of Education consisting of one member elected from each of the four local school districts and one member elected at-large for staggered four year terms. The Educational Service Center has thirteen administrators, twenty-five classified employees, and thirty-five certified teaching personnel who provide services to the local, exempted village, and city school districts.

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

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

The Educational Service Center participates in two jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Northwestern Ohio Educational Research Council, Inc., Ohio Risk Sharing Authority, NOACSC Workers' Compensation Group Rating Plan, and the Van Wert Area Schools Insurance Group. Information about these organizations is presented in Notes 15 and 16 to the general-purpose 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. Following are the more significant of the Educational Service Center's accounting policies.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)

A. Basis of Presentation - Fund Accounting

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

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

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

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND 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. For the Educational Service Center, this consists of an investment trust fund and an agency fund. The investment trust fund is accounted for on the accrual basis. The agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

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:

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Educational Service Center.

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

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.

The investment trust fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in total net 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 fund types and agency fund. The full accrual basis of accounting is followed for the investment trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 Educational Service Center, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. On the accrual basis, 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 fiscal year when the resources are required to be used or the fiscal year when use is first 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are also recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

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.

C. Budgetary Process

The budgetary process entails the preparation of budgetary documents within an established timetable.

The Educational Service Center adopts its budget for all funds, other than agency funds, on or before the start of the new fiscal year. For fiscal year 2003, the investment trust fund was classified as an agency fund for budgetary purposes. For budgeted funds, the budget includes the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised and accepted by the Board to include any unencumbered cash balances from the preceding fiscal year. 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 expenditures of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Department of Education reviews the budget and certifies to each Board of Education, under the supervision of the Educational Service Center, the amount from part (B) that is to be apportioned to their school district.

Appropriations

The annual appropriation resolution is enacted by the Educational Service Center at the fund and function level of expenditures for the General Fund and the fund level of expenditures for all other funds. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center.

The appropriation resolution, by fund, is limited by the estimated resources, and the total of expenditures and encumbrances is controlled so as not to exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)

function appropriations within the General Fund are approved by the Educational Service Center's Board. Appropriation allocations at the object level within the General Fund or at the function and object level within all other funds are made by the Educational Service Center Treasurer.

The Educational Service Center may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear on the statement of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except investment trust and agency funds.

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. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures.

Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2003 was \$42,064, which included \$6,375 assigned from other Educational Service Center funds.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)

For presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

F. Fixed Assets and Depreciation

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

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

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees who are at least forty-five years of age and have five or more years of 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.

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H. Accrued Liabilities and Long-Term Obligations

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

I. Fund Balance Reserves

The Educational Service Center records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and for external pool participants, which represents net assets held in trust for the external portion of the investment pool.

J. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. For fiscal year 2003, these funds included Title VI-B and Preschool special revenue funds.

K. 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.

L. Estimates

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

M. Total Columns on General-Purpose Financial Statements

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

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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. ACCOUNTABILITY

At June 30, 2003, the Alternative School special revenue fund had a deficit fund balance of \$2,663. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

4. 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 is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types		
	General	Special Revenue
GAAP Basis	\$ 45,549	\$ (156,717)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2002, Received in Cash FY 2003	186,637	-
Accrued FY 2003, Not Yet Received in Cash	(101,541)	-
Expenditure Accruals:		
Accrued FY 2002, Paid in Cash FY 2003	(287,935)	(54,258)
Accrued FY 2003, Not Yet Paid in Cash	296,837	47,037
Cash Adjustments:		
Unrecorded Activity FY2003	(6,860)	-
Prepaid Items	(6,556)	(78)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(15,493)	(26,063)
Budget Basis	\$ 110,638	\$ (190,079)

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

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

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

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

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

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6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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

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

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

At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,596,823 and the bank balance was \$2,777,893. Of the bank balance, \$700,000 was covered by federal depository insurance and \$2,077,893 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

The Educational Service Center's investments are categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the Educational Service Center or the Educational Service Center's agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. The Educational Service Center's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2003, the fair value of funds on deposit with STAR Ohio was \$661,889.

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

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	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 3,258,712	\$ -
STAR Ohio	(661,889)	661,889
Budget Basis	\$ 2,596,823	\$ 661,889

6. INVESTMENT POOL

The Educational Service Center serves as fiscal agent for the Northwest Ohio Area Computer Services Cooperative (NOACSC), a legally separate entity. The Educational Service Center pools the monies of this entity with the Educational Service Center's for investment purposes. The Educational Service Center cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of the interest that it earns. The carrying amounts and fair value for both the internal and external portions of the investment pool are disclosed in Note 5 - Deposits and Investments.

Condensed financial information for the investment pool follows:

Statement of Net Assets	
June 30, 2003	
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,258,712
Accrued Interest Receivable	7,041
Total Assets	3,265,753
Liabilities:	
Deferred Revenue	504
Net Assets Held in Trust for Pool Participants:	
Internal Portion	1,336,103
External Portion	1,929,146
Total Net Assets Held in Trust for Pool Participants	\$ 3,265,249

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Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2003

Revenues:	
Interest	\$ 88,114
Expenses:	
Operating Expenses	-
Net Increase in Assets Resulting from Operations	88,114
Distribution to Participants	(75,024)
Capital Transactions	206,677
Total Increase in Net Assets	219,767
Net Assets at Beginning of Year	3,045,482
Net Assets at End of Year	\$ 3,265,249

7. STATE FUNDING

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

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's School Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$37. This amount is provided from State resources.

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

8. RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental and accrued interest receivables. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

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	Amounts
General Fund:	
Excess Costs	\$ 51,679
Customer Services	42,099
Miscellaneous	407
Community Alternative Funding	46,371
Total Intergovernmental Receivables	\$ 140,556

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Land	\$ 5,400	\$ -	\$ -	\$ 5,400
Buildings and Improvements	54,600	-	-	54,600
Furniture, Fixtures, and Equipment	175,314	86,086	3,499	257,901
Total	\$ 235,314	\$ 86,086	\$ 3,499	\$ 317,901

10. RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the Educational Service Center contracted for the following insurance coverage:

Coverage provided by Cincinnati Insurance Company	
Commercial Property	\$ 90,000
Office Equipment - ACE	50,000
Office Equipment	110,000
Commercial General Liability	1,000,000
Coverage provided by Central Mutual Insurance Company	
Commercial Excess - Umbrella	2,000,000
Business Owners Property	
Per Occurrence	2,000,000
Total per Year	4,000,000
Coverage provided by Ohio Risk Sharing Authority	
General Liability	
Per Occurrence	2,000,000
Total per Year	4,000,000

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

For fiscal year 2003, the Educational Service Center participated in the Ohio Risk Sharing Authority (ORSA), an insurance purchasing pool. Each participant enters into an individual agreement with

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the ORSA for insurance coverage and pays annual premiums to the ORSA based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2003, the Educational Service Center participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended 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 Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan. Each year, the Educational Service Center pays an enrollment fee to the Plan to cover the costs of administering the program.

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG). VWASIG is a public entity shared risk pool consisting of five members. The Educational Service Center pays monthly premiums to VWASIG for employee medical, dental, and life insurance benefits. VWASIG is responsible for the management and operation of the program. Upon withdrawal from VWASIG, a member is responsible for the payment of all VWASIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to 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.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their

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account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The Educational Service Center's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was \$275,435, \$177,336, and \$161,788, respectively; 100 percent has been contributed for all three fiscal years. Contributions for the DCP and CP for the fiscal year ended June 30, 2003, were \$158 made by the Educational Service Center and \$4,561 made by plan members.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9 percent of their annual covered salary and the Educational Service Center was required to contribute an actuarially determined rate. The rate for fiscal year 2003 was 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$139,020, \$79,216, and \$54,105, respectively; 100 percent has been contributed for all three fiscal years.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of

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June 30, 2003, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount was \$21,199.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 eligible benefit recipients.

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

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay was established at \$14,500. For the Educational Service Center, the amount to fund health care benefits, including the surcharge, was \$115,581 for fiscal year 2003.

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, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per year, depending on length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred eighty days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of thirty days for employees with less than ten years of service with the Educational Service Center, and a maximum of fifty days for employees with ten or more years of service.

Upon the merger of Paulding and Van Wert Educational Service Centers in fiscal year 1999, certain employees accumulated sick leave balances exceeded one hundred eighty days. For these employees, the maximum sick leave accrual is being maintained at their balance upon the merger.

B. Health Care Benefits

The Educational Service Center participates in the Van Wert Area Schools Insurance Group (VWASIG) for all employee health care benefits. Through VWASIG, the Educational Service Center offers medical, dental, and life insurance benefits. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

14. LONG-TERM OBLIGATIONS

The changes in the Educational Service Center's long-term obligations during fiscal year 2003 were as follows:

	Balance at <u>06/30/02</u>	Additions	Reductions	Balance at <u>06/30/03</u>
Compensated Absences Payable	\$ 173,783	\$ -	\$ 40,261	\$ 133,522
Intergovernmental Payable	<u>12,786</u>	<u>16,378</u>	<u>12,786</u>	<u>16,378</u>
Total	<u>\$ 186,569</u>	<u>\$ 16,378</u>	<u>\$ 53,047</u>	<u>\$ 149,900</u>

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

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15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The Educational Service Center is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

16. INSURANCE POOLS

A. NOACSC Workers' Compensation Group Rating Plan

The Educational Service Center participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator of NOACSC or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Van Wert Area Schools Insurance Group

The Van Wert Area Schools Insurance Group (VWASIG) is a public entity shared risk pool consisting of five members. VWASIG is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and life insurance benefits to the employees of the participants. Each member appoints a

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003
(Continued)

representative to the Board of Trustees. The Board of Trustees is the legislative and managerial body of VWASIG. Financial information can be obtained from the Van Wert City School District, who serves as fiscal agent, 641 North Jefferson Street, Van Wert, Ohio 45891.

C. Ohio Risk Sharing Authority

The Educational Service Center participates in the Ohio Risk Sharing Authority (ORSA), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. ORSA is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The ORSA's business and affairs are conducted by a board consisting of nine superintendents and treasurers, as well as an attorney, accountant, and four representatives from the pool's administrator, Willis Pooling. Willis Pooling is responsible for processing claims and establishes agreements between the ORSA and its members. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

17. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The Educational Service Center is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

18. 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 at June 30, 2003.

B. Litigation

The Western Buckeye Educational Service Center is a party to a legal proceeding seeking damages or injunctive relief generally incidental to its operations and pending projects. The Educational Service Center's management is of the opinion that the ultimate disposition of this legal proceeding will not have a material effect, if any, on the financial condition of the Educational Service Center.

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**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>				
<u>Special Education Cluster:</u>				
Special Education - Grants to States				
	6B-SF-02P	84.027	\$ 2,880	\$ 26,019
	6B-SF-03P	84.027	226,905	203,835
	6B-S3-02P	84.027	-	95,194
	6B-EC-03P	84.027	50,000	9,100
Total Special Education - Grants to States			<u>279,785</u>	<u>334,148</u>
Special Education - Preschool Grant				
	PG-S1-02P	84.173	-	4,659
	PG-S1-03P	84.173	38,439	32,838
Total Special Education - Preschool Grant			<u>38,439</u>	<u>37,497</u>
Total - Special Education Cluster			318,224	371,645
Safe and Drug Free Schools and Communities	T4-S1-03-223	84.184	5,436	5,436
Twenty-first Century Community Learning Centers	T1S1-03	84.287	286,910	277,212
Total - Department of Education			<u>610,570</u>	<u>654,293</u>
U.S. DEPARTMENT OF HUMAN SERVICES <i>Passed Through Ohio Department of MRDD</i>				
Medical Assistance Program (CAFS)		93.778	<u>132,306</u>	<u>132,306</u>
Totals			<u><u>\$ 742,876</u></u>	<u><u>\$ 786,599</u></u>

The accompanying notes are an integral part of this schedule.

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

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

Western Buckeye Educational Service Center
Paulding County
202 N. Cherry St., P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

We have audited the financial statements of the Western Buckeye Educational Service Center, Paulding County, (the Center) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. 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 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 Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 19, 2003



**Auditor of State
Betty Montgomery**

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

Western Buckeye Educational Service Center
Paulding County
202 N. Cherry St., P.O. Box 176
Paulding, Ohio 45879-0176

To the Governing Board:

Compliance

We have audited the compliance of the Western Buckeye Educational Service Center, Paulding County, (the Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2003. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

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

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

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

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

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



Betty Montgomery
Auditor of State

December 19, 2003

**WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER
PAULDING COUNTY**

**Schedule of Findings
OMB Circular A -133 §.505
June 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA# 84.027 Special Education Preschool Grants CFDA# 84.173 Medical Assistance Program CFDA# 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

WESTERN BUCKEYE EDUCATIONAL SERVICE CENTER

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2004**