



**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Belmont County Educational Service Center
Belmont County
410 Fox Shannon Place
St. Clairsville, Ohio 43950

To Members of the Board:

We have audited the accompanying general purpose financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Educational 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Belmont County Educational Service Center, Belmont County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2000, on our consideration of the Educational 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

October 30, 2000

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**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

| | Governmental Fund Types | | Proprietary Fund Type |
|------------------------------------------------------------|--------------------------------|----------------------------|----------------------------------|
| | General | Special Revenue | Internal Service |
| ASSETS AND OTHER DEBITS: | | | |
| Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | \$142,917 | \$21,613 | |
| Cash and Cash Equivalents with Fiscal Agents | | | 29,335 |
| Receivables: | | | |
| Accounts | 5,000 | 120 | |
| Intergovernmental Receivable | 269,497 | 30,235 | |
| Accrued Interest | 127 | | |
| Interfund | 12,277 | | |
| Prepaid Items | 15,296 | 4,701 | |
| Fixed Assets | | | |
| Other Debits: | | | |
| Amount to be Provided from General Government Resources | | | |
| Total Assets and Other Debit | \$445,114 | \$56,669 | \$29,335 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | |
| Liabilities: | | | |
| Accounts Payable | \$2,353 | \$2,599 | \$ |
| Contracts Payable | 5,000 | | |
| Accrued Wages and Benefits | 132,120 | 6,874 | |
| Compensated Absences Payable | 2,832 | | |
| Interfund Payable | | 12,277 | |
| Intergovernmental Payable | 22,274 | 1,208 | |
| Deferred Revenue | 118,245 | 3,026 | |
| Claims Payable | | | 3,371 |
| Total Liabilities | 282,824 | 25,984 | 3,371 |
| Equity and Other Credit: | | | |
| Investment in General Fixed Assets | | | |
| Retained Earnings - Unreserved | | | 25,964 |
| Fund Balances: | | | |
| Reserved for Encumbrances | 9,978 | 3,755 | |
| Unreserved, Undesignated | 152,312 | 26,930 | |
| Total Equity and Other Credits | 162,290 | 30,685 | 25,964 |
| Total Liabilities, Equity and Other Credit | \$445,114 | \$56,669 | \$29,335 |

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

| <u>Account Groups</u> | | |
|-------------------------------------|----------------------------------------------|----------------------------------------|
| <u>General Fixed Assets</u> | <u>General Long-Term Obligations</u> | <u>Total (Memorandum Only)</u> |
| | | \$164,530 |
| | | 29,335 |
| | | 5,120 |
| | | 299,732 |
| | | 127 |
| | | 12,277 |
| | | 19,997 |
| 68,684 | | 68,684 |
| | 105,292 | 105,292 |
| \$68,684 | \$105,292 | \$705,094 |
| | | 4,952 |
| \$ | \$ | 5,000 |
| | | 138,994 |
| | 104,034 | 106,866 |
| | | 12,277 |
| | 1,258 | 24,740 |
| | | 121,271 |
| | | 3,371 |
| | 105,292 | 417,471 |
| | | 68,684 |
| 68,684 | | 25,964 |
| | | 13,733 |
| | | 179,242 |
| 68,684 | 0 | 287,623 |
| \$68,684 | \$105,292 | \$705,094 |

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**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|-------------------------------------------------|--------------------------------|----------------------------|-----------------------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Only</u> |
| Revenues: | | | |
| Intergovernmental | \$743,883 | \$130,339 | \$874,222 |
| Interest | 9,271 | | 9,271 |
| Charges for Services | 739,307 | 120 | 739,427 |
| Miscellaneous | 15,438 | 9,929 | 25,367 |
| | <u>1,507,899</u> | <u>140,388</u> | <u>1,648,287</u> |
| Total Revenues | | | |
| | <u>1,507,899</u> | <u>140,388</u> | <u>1,648,287</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 17,091 | 36,142 | 53,233 |
| Special | 324,186 | 41,121 | 365,307 |
| Other | 65,218 | | 65,218 |
| Support Services: | | | |
| Pupils | 370,486 | | 370,486 |
| Instructional Staff | 363,760 | 9,744 | 373,504 |
| Board of Education | 10,323 | | 10,323 |
| Administration | 202,218 | 9,115 | 211,333 |
| Fiscal | 60,039 | 7,254 | 67,293 |
| Pupil Transportation | 15,003 | | 15,003 |
| Central | | 12,739 | 12,739 |
| Extracurricular Activities | 41,015 | | 41,015 |
| Operation of Non-Instructional Services | | 10,828 | 10,828 |
| Capital Outlay | 5,000 | | 5,000 |
| | <u>1,474,339</u> | <u>126,943</u> | <u>1,601,282</u> |
| Total Expenditures | | | |
| | <u>1,474,339</u> | <u>126,943</u> | <u>1,601,282</u> |
| Excess of Revenues Over (Under) Expenditures | <u>33,560</u> | <u>13,445</u> | <u>47,005</u> |
| Fund Balances at Beginning of Year | <u>128,730</u> | <u>17,240</u> | <u>145,970</u> |
| Fund Balances at End of Year | <u>\$162,290</u> | <u>\$30,685</u> | <u>\$192,975</u> |

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

| | <u>General</u> | | | <u>Special Revenue Funds</u> | | |
|---------------------------------------------------------------------------------------------------------|---------------------------|-------------------------|--------------------------------------------------|------------------------------|------------------------|--------------------------------------------------|
| | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance: Favorable (Unfavorable)</u> | <u>Revised Budget</u> | <u>Actual</u> | <u>Variance: Favorable (Unfavorable)</u> |
| Revenues: | | | | | | |
| Intergovernmental | \$805,615 | \$747,654 | (\$57,961) | \$129,331 | \$104,905 | (\$24,426) |
| Interest | 9,785 | 9,144 | (641) | | | |
| Charges for Services | 728,775 | 672,277 | (56,498) | | | |
| Miscellaneous | | | | 4,100 | 3,592 | (508) |
| Total Revenues | <u>1,544,175</u> | <u>1,429,075</u> | <u>(115,100)</u> | <u>133,431</u> | <u>108,497</u> | <u>(24,934)</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 16,286 | 16,286 | 0 | 45,447 | 39,170 | 6,277 |
| Special | 355,913 | 317,661 | 38,252 | 46,834 | 40,283 | 6,551 |
| Other | 68,397 | 65,277 | 3,120 | | | |
| Support Services: | | | | | | |
| Pupils | 380,764 | 356,281 | 24,483 | | | |
| Instructional Staff | 399,270 | 369,828 | 29,442 | 9,448 | 8,282 | 1,166 |
| Board of Education | 11,935 | 10,284 | 1,651 | | | |
| Administration | 218,203 | 202,648 | 15,555 | 9,439 | 8,977 | 462 |
| Fiscal | 71,476 | 64,764 | 6,712 | 13,868 | 10,623 | 3,245 |
| Pupil Transportation | 17,724 | 14,919 | 2,805 | | | |
| Central | 3,000 | | 3,000 | 18,451 | 11,445 | 7,006 |
| Operation of Non-Instructional Services | | | | 12,000 | 10,870 | 1,130 |
| Extracurricular Activities | 41,596 | 39,559 | 2,037 | | | |
| Total Expenditures | <u>1,584,564</u> | <u>1,457,507</u> | <u>127,057</u> | <u>155,487</u> | <u>129,650</u> | <u>25,837</u> |
| Excess of Revenues over/ (under) Expenditures | <u>(40,389)</u> | <u>(28,432)</u> | <u>11,957</u> | <u>(22,056)</u> | <u>(21,153)</u> | <u>903</u> |
| Other Financing Sources/(Uses): | | | | | | |
| Other Financing Sources | | | | 6,500 | 6,337 | (163) |
| Refund of Prior Year Expenditures | 11,682 | 11,682 | 0 | | | |
| Advances In | | | | | 12,277 | 12,277 |
| Advances Out | | (12,277) | (12,277) | | | |
| Total Other Financing Sources/(Uses) | <u>11,682</u> | <u>(595)</u> | <u>(12,277)</u> | <u>6,500</u> | <u>18,614</u> | <u>12,114</u> |
| Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses | <u>(28,707)</u> | <u>(29,027)</u> | <u>(320)</u> | <u>(15,556)</u> | <u>(2,539)</u> | <u>13,017</u> |
| Fund Balance at Beginning of Year | 161,858 | 161,858 | 0 | 20,397 | 20,397 | 0 |
| Prior Year Encumbrances Appropriated | 108 | 108 | 0 | | | |
| Fund Balance at End of Year | <u>\$133,259</u> | <u>\$132,939</u> | <u>(\$320)</u> | <u>\$4,841</u> | <u>\$17,858</u> | <u>\$13,017</u> |

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

| Total (Memorandum Only) | | |
|--------------------------------|-------------------------|--------------------------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$934,946 | \$852,559 | (\$82,387) |
| 9,785 | 9,144 | (641) |
| 728,775 | 672,277 | (56,498) |
| 4,100 | 3,592 | (508) |
| <u>1,677,606</u> | <u>1,537,572</u> | <u>(140,034)</u> |
| 61,733 | 55,456 | 6,277 |
| 402,747 | 357,944 | 44,803 |
| 68,397 | 65,277 | 3,120 |
| 380,764 | 356,281 | 24,483 |
| 408,718 | 378,110 | 30,608 |
| 11,935 | 10,284 | 1,651 |
| 227,642 | 211,625 | 16,017 |
| 85,344 | 75,387 | 9,957 |
| 17,724 | 14,919 | 2,805 |
| 21,451 | 11,445 | 10,006 |
| 12,000 | 10,870 | 1,130 |
| 41,596 | 39,559 | 2,037 |
| <u>1,740,051</u> | <u>1,587,157</u> | <u>152,894</u> |
| <u>(62,445)</u> | <u>(49,585)</u> | <u>12,860</u> |
| 6,500 | 6,337 | (163) |
| 11,682 | 11,682 | 0 |
| | 12,277 | 12,277 |
| | <u>(12,277)</u> | <u>(12,277)</u> |
| <u>18,182</u> | <u>18,019</u> | <u>(163)</u> |
| (44,263) | (31,566) | 12,697 |
| 182,255 | 182,255 | 0 |
| 108 | 108 | 0 |
| <u>\$138,100</u> | <u>\$150,797</u> | <u>\$12,697</u> |

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Proprietary Fund Type |
|-----------------------------------------|----------------------------------|
| | Internal Service |
| Operating Revenue: | |
| Charges for Services | \$60,947 |
| Total Operating Revenue | 60,947 |
| Operating Expenses: | |
| Purchased Services | 2,072 |
| Claims | 44,387 |
| Total Operating Expenses | 46,459 |
| Operating Income | 14,488 |
| Non-Operating Revenue: | |
| Interest | 1,127 |
| Total Non-Operating Revenue | 1,127 |
| Net Income | 15,615 |
| Retained Earnings at Beginning of Year | 10,349 |
| Retained Earnings at End of Year | \$25,964 |

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Internal Service Fund | | |
|------------------------------------|------------------------------|-----------------|--------------------------------------------------|
| | Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | |
| Charges for Services | \$60,493 | \$60,947 | \$454 |
| Interest | 1,029 | 1,127 | 98 |
| Total Revenues | 61,522 | 62,074 | 552 |
| Expenses: | | | |
| Purchased Services | 9,322 | 2,072 | 7,250 |
| Claims | 43,103 | 43,103 | 0 |
| Total Expenses | 52,425 | 45,175 | 7,250 |
| Excess of Revenues Over Expenses | 9,097 | 16,899 | 7,802 |
| Fund Balance at Beginning of Year | 12,436 | 12,436 | 0 |
| Fund Balance at End of Year | \$21,533 | \$29,335 | \$7,802 |

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Proprietary Fund Type |
|-------------------------------------------------------------------------------------------------------|----------------------------------|
| | Internal Service |
| Increase (Decrease) in Cash and Cash Equivalents: | |
| Cash Flows from Operating Activities: | |
| Cash Received from Quasi-External Transactions with Other Funds | \$60,947 |
| Cash Payments to Suppliers for Goods and Services | (2,072) |
| Cash Payments for Claims | (43,103) |
| | 15,772 |
| Net Cash Provided by Operating Activities | 15,772 |
| Cash Flows from Investing Activities: | |
| Interest | 1,127 |
| | 1,127 |
| Net Cash Provided by Investing Activities | 1,127 |
| Net Increase in Cash & Cash Equivalents with Fiscal Agents | 16,899 |
| Cash and Cash Equivalents with Fiscal Agents at Beginning of Year | 12,436 |
| Cash and Cash Equivalents with Fiscal Agents at End of Year | \$29,335 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income | \$14,488 |
| | \$14,488 |
| Adjustments to Reconcile Operating Income to to Net Cash Provided by Operating Activities: | |
| Change in Assets and Liabilities: | |
| Increase in Claims Payable | 1,284 |
| | 1,284 |
| Total Adjustments | 1,284 |
| Net Cash Used for Operating Activities | \$15,772 |

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

1. DESCRIPTION

The Belmont County Educational Service Center, Belmont County (the Educational Service Center), is located in St. Clairsville, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Barnesville Exempted Village, Bellaire City, St. Clairsville-Richland City, Union Local, Shadyside Local, Bridgeport Exempted Village, and Martins Ferry City School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Belmont County Educational Service Center operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service center has 10 support staff employees and 27 certified teaching personnel that provide services to the local, city, and exempted village school districts.

A. Reporting Entity

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

1. Component Units

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. No separate governmental units meet the criteria for inclusion as a component unit.

2. Jointly Governed Organizations

The Educational Service Center is involved with the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) which is defined as a jointly governed organization, the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as a group insurance purchasing pool, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan which is defined as a claims servicing pool. Additional information concerning the jointly governed organization is presented in note 15, and information concerning the group insurance purchasing pool and the claims servicing pool is presented in note 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Belmont County Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

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 governmental and proprietary.

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 financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the Educational Service Center's governmental fund types:

A. General Fund

This 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.

B. Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

2. Proprietary Fund Type:

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

A. Internal Service Fund

This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Educational Service Center on a cost reimbursement basis.

3. Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

A. General Fixed Assets Account Group

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

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

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

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

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

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

C. Budgetary Data

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

1. Funding Budget

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 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.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

2. Appropriations

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

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

3. Encumbrances

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

4. Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds, including the proprietary fund, are maintained in this account or temporarily used to purchase short term investments. 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. The Educational Service Center participates in the OME-RESA insurance consortium for self-insurance. This money is held separate from the Educational Service Center's central bank account and is reflected in the financial statements as "Cash and Cash Equivalents with Fiscal Agents".

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

During fiscal year 2000, investments were limited to 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, 2000.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$9,271, which includes \$1,352 assigned from other Educational Service Center funds. Interest income earned during 2000 amounted to \$10,398 for the Educational Service Center.

For purposes of the statement of cash flows and 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.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. For the fiscal year ended June 30, 2000, there were no amounts for materials and supplies inventory reflected in the Educational Service Center's financial statements.

F. Prepaid Items

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center maintains a capitalization threshold of two hundred and fifty 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 and those improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Assets in the general fixed assets account group are not depreciated.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. The Educational Service Center participated in several State and Federal programs, including:

Entitlements

General Fund

State Funding

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Special Education - Preschool Grants

Dwight D. Eisenhower Math/Science Grant (Title II)

National School Lunch Program

National School Breakfast Program

SchoolNet Professional Grant

Technology Literacy Grant (Goals 2000)

Grants and entitlements amounted to 53 percent of governmental fund revenue during the year.

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. 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 with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the 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 classified, certified and administrative employees after four years of current service with the Educational Service Center.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

The current portion of unpaid compensated absences is the amount of vacation expected to be paid using available expendable resources and severance payments paid to employees during the available period. 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.

K. 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 obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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

M. 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 expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances/retained earnings 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 - Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

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

| | Excess of Revenues And Other Financing Sources Over/(Under) Expenditures And Other Financing Uses Governmental Fund Types | |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------|
| | General | Special Revenue |
| GAAP Basis | \$33,560 | \$13,445 |
| Adjustments: | | |
| Net adjustment for revenue accruals | (67,142) | (25,554) |
| Net adjustment for expenditure accruals | 26,810 | 1,048 |
| Advance In | 0 | 12,277 |
| Advance Out | (12,277) | 0 |
| Encumbrances | (9,978) | (3,755) |
| Budget Basis | (\$29,027) | (\$2,539) |

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

Net Income/excess of Revenues over Expenses
Proprietary Fund Type

| | | |
|----------------------|--|------------------------|
| | | <u>Internal</u> |
| | | <u>Service</u> |
| GAAP Basis | | \$15,615 |
| Net Expense Accruals | | <u>1,284</u> |
| Budget Basis | | <u><u>\$16,899</u></u> |

4. COMPLIANCE

The Educational Service Center did not encumber all commitments required by Ohio law contrary to section 5705.41(D), Ohio Revised Code.

5. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

5. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

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

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 3, "Deposits with Financial Institutions, Investments(including Repurchase Agreements), and Reverse Repurchase Agreements".

Cash with Fiscal Agent: At June 30, 2000, the Educational Service Center's internal service fund had a cash balance of \$29,335 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. EQUITY IN POOLED CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits: At year end the carrying amount of the Educational Service Center's deposits was \$109,701 and the bank balance was \$156,031. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$56,031 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 could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The Educational Service Center's investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service Center at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the Educational Service Center of 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 in the counter party'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 counter party, or by its trust department or agent but not in the Educational Service Center's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The Educational Service Center's investment in STAR Ohio has a market value of \$54,829.

The classification of "Equity in Pooled Cash and Cash Equivalents" on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|----------------------|-----------------------------------------------|--------------------|
| GASB Statement No. 9 | \$164,530 | \$0 |
| STAR Ohio | (54,829) | 54,829 |
| GASB Statement No. 3 | \$109,701 | \$54,829 |

6. 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 Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Educational Service Center by \$36. This amount is provided from State resources.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. STATE FUNDING (Continued)

If additional funding is needed for 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 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.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of excess costs, intergovernmental grants and reimbursements from the member school districts. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| Fund/Description | Amount |
|------------------------------------------------------------------|-----------|
| General Fund | |
| Positive Education Program | \$18,740 |
| Social Services Reimbursement | 27,159 |
| Excess Costs and Reimbursements from Member School District's | 223,598 |
| | |
| Special Revenue Fund | |
| National School Lunch Program | 3,026 |
| Eisenhower Grant Reimbursements | 27,209 |
| | |
| Total Intergovernmental Receivables | \$299,732 |

8. FIXED ASSETS

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

| | Restated Balance at 07/01/99 | Additions | Deletions | Balance at 06/30/00 |
|---------------------------------------|------------------------------------|-----------|-----------|------------------------|
| Furniture, Fixtures, and Equipment | \$45,939 | \$22,745 | \$0 | \$68,684 |

For fiscal year 2000, the Educational Service Center's fixed assets beginning balance was decreased in the amount of \$2,742. This restatement is the result of items improperly included as fixed assets, and also omissions of fixed assets recorded by the Educational Service Center's appraisal company versus the amount presented within the financial statements.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. 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 2000, the Educational Service Center contracted with Nationwide Insurance for fleet insurance, contents insurance, and liability insurance. Coverages provided by Nationwide Insurance are as follows:

A. Property and Liability

| | |
|-----------------------------------------|-----------|
| Automobile Liability (\$100 deductible) | \$500,000 |
| Treasurer and Administration Bonds | 20,000 |
| Contents | 41,600 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year - aggregate | 1,000,000 |

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

B. Worker's Compensation

For fiscal year 2000, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Self Insurance

Prescription, vision, life, and dental insurance is offered to employees through a self-insurance internal service fund. The Educational Service Center is a member of the OME-RESA claims servicing pool in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf.

The claims liability of \$3,371 reported in the internal service fund at June 30, 2000, is based on actual claims incurred prior to the balance sheet date and paid subsequent. The basis for estimating liabilities for unpaid claims and claim adjustment expenses are based on the estimated ultimate cost of settling the claims, including effects of inflation and other societal and economic factors. Changes in claims activity for the past two fiscal years are as follows:

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

9. RISK MANAGEMENT (Continued)

C. Self Insurance (Continued)

| Fiscal Year | Balance at 07/01/99 | Current Year Claims | Claims Payments | Balance at 06/30/00 |
|-------------|------------------------|------------------------|--------------------|------------------------|
| 1999 | \$7,091 | \$34,129 | \$39,133 | \$2,087 |
| 2000 | 2,087 | 44,387 | 43,103 | 3,371 |

4. 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. 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, Ohio 43215-3771.

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. 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 year ended June 30, 2000, 1999, and 1998 were \$56,080, \$44,729, and \$59,577, respectively; 74.3 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. The amount of \$14,425 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered payroll was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$12,862, \$12,350, and \$9,503, respectively; 82.3 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$2,286 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$74,773 during 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

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

11. POSTEMPLOYMENT BENEFITS (Continued)

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, 2000, employer contributions to fund health care benefits were 8.5 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 2000, the minimum pay has been established at \$12,400. For the Educational Center, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$19,985.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws.

Administrative and classified employees can earn seven and one-half to twenty days of vacation per fiscal year, depending upon length of service and their position held. 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 the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for classified employees and certified employees.

B. Medical Insurance

The Educational Service Center has elected to provide employee medical/surgical benefits through Coventry Health Care. The employees share the cost of the monthly premium with the Board. The Educational Service provides prescription, dental, and vision insurances through OME-RESA Health Benefits. The Educational Service Center pays the entire costs of these premiums to the provider.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

13. LONG-TERM OBLIGATIONS

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

| | Balance at 07/01/99 | Additions | Deletions | Balance at 06/30/00 |
|-----------------------------|------------------------|-----------------|-----------------|------------------------|
| Compensated Absences | \$102,774 | \$22,894 | \$21,634 | \$104,034 |
| Intergovernmental Payables | 537 | 1,258 | 537 | 1,258 |
| Total Long-Term Obligations | <u>\$103,311</u> | <u>\$24,152</u> | <u>\$22,171</u> | <u>\$105,292</u> |

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

14. INTERFUND ACTIVITY

As of June 30, 2000, an interfund receivable/payable existed as a result of a negative cash balance in the Eisenhower Grant Fund. The General Fund reflects an interfund receivable in the amount of \$12,277 due from the Eisenhower Grant Special Revenue Fund.

15. JOINTLY GOVERNED ORGANIZATION

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA)

OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information system, and cooperative purchasing services to member districts. OME-RESA possesses its own budgeting authority. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43950.

16. PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

16. PUBLIC ENTITY POOLS (Continued)

B. Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan

The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self- Insurance Plan (the Plan), a claims servicing pool comprised of fifty members. The Plan's business affairs are conducted by a nine member Board of Directors elected from OME-RESA's assembly. Each participant is a member of the assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

17. 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, 2000.

B. Litigation

The Educational Service Center is currently not party to legal proceedings.

18. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the Educational Service Center. During the fiscal year ended June 30, 2000, the Educational Service Center received \$679,420 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly ...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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

18. SCHOOL FUNDING COURT DECISION (Continued)

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the Educational Service Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Belmont County Educational Service Center
Belmont County
410 Fox Shannon Place
St. Clairsville, Ohio 43950

To Members of the Board:

We have audited the general purpose financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2000, and have issued our report thereon dated October 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Educational Service Center's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2000-11007-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Educational Service Center in a separate letter dated October 30, 2000.

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

Jim Petro
Auditor of State

October 30, 2000

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

| |
|---------------------------------------------------------------------------------------------------------|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---------------------------------------------------------------------------------------------------------|

FINDING NUMBER 2000-11007-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the Treasurer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than one thousand dollars, the Treasurer may authorize it to be paid without the affirmation of the Board of Education.

All of the obligations paid by the Educational Service Center had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, free from any previous encumbrance; however, this certification was dated subsequent to incurring the obligation for 47% of transactions tested.

We recommend the Educational Service Center monitor the use of purchase orders more carefully to help ensure expenditures are certified as to the availability of funds prior to incurring the obligation.



STATE OF OHIO
OFFICE OF THE AUDITOR

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BELMONT EDUCATIONAL SERVICE CENTER

BELMONT 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 11, 2001**