



**CLINTON-FAYETTE-HIGHLAND  
EDUCATIONAL SERVICE DISTRICT**

**CLINTON COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CLINTON-FAYETTE-HIGHLAND EDUCATIONAL SERVICE DISTRICT  
CLINTON COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

## INDEPENDENT ACCOUNTANTS' REPORT

Clinton-Fayette-Highland Educational Service District  
Clinton County  
62 Laurel Drive  
Wilmington, Ohio 45177

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Clinton-Fayette-Highland Educational Service District, Clinton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District'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 District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds and changes in net assets for the investment trust fund for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for purposes of additional analysis as required by the *U.S. Office of Management & 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

January 25, 2001

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Clinton-Fayette-Highland Educational Service District  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2000

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Equity in Pooled Cash and Investments	\$1,549,060	\$169,653	\$45,738
Restricted Equity in Pooled Cash and Investments	0	0	0
Receivables:			
Intergovernmental	0	47,321	0
Accounts	16,858	0	0
Accrued Interest	18,522	0	0
Fixed Assets ( Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
<b>Total Assets &amp; Other Debits</b>	<b><u>\$1,584,440</u></b>	<b><u>\$216,974</u></b>	<b><u>\$45,738</u></b>
Liabilities, Fund Equity & Other Credits:			
Liabilities:			
Accounts Payable	\$911	\$462	\$1,888
Accrued Wages & Benefits	296,467	0	0
Compensated Absences Payable	0	0	0
Undistributed Monies	0	0	0
<b>Total Liabilities</b>	<b><u>297,378</u></b>	<b><u>462</u></b>	<b><u>1,888</u></b>
Fund Equity & Other Credits:			
Investment in General Fixed Assets	0	0	0
Net Assets Held in Trust for Pool Participants	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	262,135	31,375	1,416
Reserved For Scholarships	0	0	0
Unreserved & Undesignated	1,024,927	185,137	42,434
<b>Total Fund Equity (Deficit) &amp; Other Credits</b>	<b><u>1,287,062</u></b>	<b><u>216,512</u></b>	<b><u>43,850</u></b>
<b>Total Liabilities, Fund Equity &amp; Other Credits</b>	<b><u>\$1,584,440</u></b>	<b><u>\$216,974</u></b>	<b><u>\$45,738</u></b>

See accompanying notes.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$94,910	\$1,644,946	\$0	\$0	\$3,504,307
0	371,916	0	0	371,916
0	0	0	0	47,321
8,775	0	0	0	25,633
0	2,444	0	0	20,966
13,930	0	735,538	0	749,468
0	0	0	154,940	154,940
<u>\$117,615</u>	<u>\$2,019,306</u>	<u>\$735,538</u>	<u>\$154,940</u>	<u>\$4,874,551</u>
\$1,079	\$0	\$0	\$0	\$4,340
1,080	0	0	0	297,547
2,829	0	0	154,940	157,769
0	15,325	0	0	15,325
<u>4,988</u>	<u>15,325</u>	<u>0</u>	<u>154,940</u>	<u>474,981</u>
0	0	735,538	0	735,538
0	1,028,476	0	0	1,028,476
112,627	0	0	0	112,627
0	0	0	0	294,926
0	371,916	0	0	371,916
0	603,589	0	0	1,856,087
<u>112,627</u>	<u>2,003,981</u>	<u>735,538</u>	<u>0</u>	<u>4,399,570</u>
<u>\$117,615</u>	<u>\$2,019,306</u>	<u>\$735,538</u>	<u>\$154,940</u>	<u>\$4,874,551</u>

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Clinton-Fayette-Highland Educational Service District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Intergovernmental	\$1,716,852	\$343,818	\$0	\$0	\$2,060,670
Investment	114,881	0	4,259	0	119,140
Gifts and Donations	0	2,800	0	2,967	5,767
Client Services	541,691	0	204,337	0	746,028
Total Revenues	<u>2,373,424</u>	<u>346,618</u>	<u>208,596</u>	<u>2,967</u>	<u>2,931,605</u>
Expenditures:					
Current:					
Instruction:					
Regular	91,310	15,586	0	0	106,896
Special	249,565	0	0	2,482	252,047
Support Services:					
Pupils	275,814	0	0	0	275,814
Instructional Staff	869,126	150,116	500,174	0	1,519,416
Governing Board	21,747	0	0	0	21,747
Administration	406,488	3,500	0	0	409,988
Fiscal	157,751	483	0	0	158,234
Business	2,148	0	0	0	2,148
Operation & Maintenance of Plant	23,888	0	0	0	23,888
Central	95,316	54,536	2,781	0	152,633
Extracurricular Activities	13,544	0	0	0	13,544
Total Expenditures	<u>2,206,697</u>	<u>224,221</u>	<u>502,955</u>	<u>2,482</u>	<u>2,936,355</u>
Excess of Revenues Over (Under) Expenditures	<u>166,727</u>	<u>122,397</u>	<u>(294,359)</u>	<u>485</u>	<u>(4,750)</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	100	0	0	0	100
Operating Transfers In	100,645	8,304	0	0	108,949
Operating Transfers Out	<u>(108,949)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(108,949)</u>
Total Other Financing Sources (Uses)	<u>(8,204)</u>	<u>8,304</u>	<u>0</u>	<u>0</u>	<u>100</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	158,523	130,701	(294,359)	485	(4,650)
Fund Balance, Beginning of Year (As Restated, See Accompanying Notes)	<u>1,128,539</u>	<u>85,811</u>	<u>338,209</u>	<u>660</u>	<u>1,553,219</u>
Fund Balance, End of Year	<u>\$1,287,062</u>	<u>\$216,512</u>	<u>\$43,850</u>	<u>\$1,145</u>	<u>\$1,548,569</u>

See accompanying notes.

Clinton-Fayette-Highland Educational Service District  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 All Governmental Fund Types and Expendable Trust Funds  
 For the Year Ended June 30, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$1,716,787	\$1,716,852	\$65	\$287,279	\$287,279	\$0
Investment	148,030	148,030	0	0	0	0
Client Services	570,202	564,536	(5,666)	0	0	0
Gifts & Donations	0	0	0	2,800	2,800	0
Miscellaneous	11,485	11,485	0	0	0	0
<b>Total Revenues</b>	<b>2,446,504</b>	<b>2,440,903</b>	<b>(5,601)</b>	<b>290,079</b>	<b>290,079</b>	<b>0</b>
Expenditures:						
Current:						
Instruction:						
Regular	117,860	115,056	2,804	93,470	15,586	77,884
Special	361,453	330,919	30,534	0	0	0
Vocational	900	15	885	0	0	0
Support Services:						
Pupils	356,404	312,708	43,696	3,000	0	3,000
Instructional Staff	1,121,679	902,614	219,065	223,794	169,929	53,865
Governing Board	43,059	24,369	18,690	0	0	0
Administration	519,502	459,648	59,854	3,500	3,500	0
Fiscal	244,232	159,831	84,401	1,683	1,683	0
Business	6,842	2,960	3,882	0	0	0
Operation & Maintenance of Plant	33,023	27,630	5,393	0	0	0
Central	146,248	109,361	36,887	57,916	56,849	1,067
Extracurricular Activities	11,951	11,584	367	0	0	0
<b>Total Expenditures</b>	<b>2,963,153</b>	<b>2,456,695</b>	<b>506,458</b>	<b>383,363</b>	<b>247,547</b>	<b>135,816</b>
Excess (Deficiency) of Revenues Over Under Expenditures	(516,649)	(15,792)	500,857	(93,284)	42,532	135,816
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	100	100	0	0	0	0
Refund of Prior Year Expenditures	660	660	0	9,616	9,616	0
Refund of Prior Year Receipts	(589)	(589)	0	(10,244)	(10,244)	0
Operating Transfers In	100,645	100,645	0	8,304	8,304	0
Operating Transfers Out	(115,645)	(108,949)	6,696	0	0	0
Other Financing Uses	(118,233)	0	118,233	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(133,062)</b>	<b>(8,133)</b>	<b>124,929</b>	<b>7,676</b>	<b>7,676</b>	<b>0</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(649,711)	(23,925)	625,786	(85,608)	50,208	135,816
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,309,940	1,309,940	0	87,607	87,607	0
<b>Fund Balance, End of Year</b>	<b>\$660,229</b>	<b>\$1,286,015</b>	<b>\$625,786</b>	<b>\$1,999</b>	<b>\$137,815</b>	<b>\$135,816</b>

See accompanying notes.

Capital Projects			Expendable Trust			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$2,004,066	\$2,004,131	\$65
4,259	4,259	0	2,967	2,967	0	155,256	155,256	0
204,337	204,337	0	0	0	0	774,539	768,873	(5,666)
0	0	0	0	0	0	2,800	2,800	0
0	0	0	0	0	0	11,485	11,485	0
208,596	208,596	0	2,967	2,967	0	2,948,146	2,942,545	(5,601)
0	0	0	0	0	0	211,330	130,642	80,688
0	0	0	3,424	2,762	662	364,877	333,681	31,196
0	0	0	0	0	0	900	15	885
0	0	0	0	0	0	359,404	312,708	46,696
553,778	511,398	42,380	0	0	0	1,899,251	1,583,941	315,310
0	0	0	0	0	0	43,059	24,369	18,690
0	0	0	0	0	0	523,002	463,148	59,854
0	0	0	0	0	0	245,915	161,514	84,401
0	0	0	0	0	0	6,842	2,960	3,882
0	0	0	0	0	0	33,023	27,630	5,393
3,027	2,973	54	0	0	0	207,191	169,183	38,008
0	0	0	0	0	0	11,951	11,584	367
556,805	514,371	42,434	3,424	2,762	662	3,906,745	3,221,375	685,370
(348,209)	(305,775)	42,434	(457)	205	662	(958,599)	(278,830)	679,769
0	0	0	0	0	0	100	100	0
0	0	0	0	0	0	10,276	10,276	0
0	0	0	0	0	0	(10,833)	(10,833)	0
0	0	0	0	0	0	108,949	108,949	0
0	0	0	0	0	0	(115,645)	(108,949)	6,696
0	0	0	0	0	0	(118,233)	0	118,233
0	0	0	0	0	0	(125,386)	(457)	124,929
(348,209)	(305,775)	42,434	(457)	205	662	(1,083,985)	(279,287)	804,698
348,209	348,209	0	940	940	0	1,746,696	1,746,696	0
\$0	\$42,434	\$42,434	\$483	\$1,145	\$662	\$662,711	\$1,467,409	\$804,698

Clinton-Fayette-Highland Educational Service District  
 Combined Statement of Revenues, Expenses  
 And Changes in Retained Earnings/Fund Balance  
 Proprietary Fund Type and Nonexpendable Trust Funds  
 For the Year Ended June 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Internal Service	Nonexpendable Trust	
Operating Revenues:			
Investment Revenue	\$0	\$57,243	\$57,243
Charges for Services	95,529	0	95,529
Tuition & Fees	126,495	0	126,495
Miscellaneous Revenue	505	333	838
Total Operating Revenues	<u>222,529</u>	<u>57,576</u>	<u>280,105</u>
Operating Expenses:			
Salaries	125,689	0	125,689
Fringe Benefits	21,163	0	21,163
Purchased Services	26,817	512	27,329
Materials & Supplies	40,859	0	40,859
Depreciation	2,500	0	2,500
Other Operating Expenses	0	52,499	52,499
Total Operating Expenses	<u>217,028</u>	<u>53,011</u>	<u>270,039</u>
Operating Income (Loss)	<u>5,501</u>	<u>4,565</u>	<u>10,066</u>
Non-Operating Revenues (Expenses):			
Miscellaneous Revenue	2,300	0	2,300
Operating Grants - Federal and State	21,005	0	21,005
Total Non-Operating Revenues	<u>23,305</u>	<u>0</u>	<u>23,305</u>
Net Income	28,806	4,565	33,371
Retained Earnings/Fund Balance, Beginning of Year (As Restated, See Accompanying Notes)	<u>83,821</u>	<u>969,795</u>	<u>1,053,616</u>
Retained Earnings/Fund Balance, End of Year	<u><u>\$112,627</u></u>	<u><u>\$974,360</u></u>	<u><u>\$1,086,987</u></u>

See accompanying notes.

Clinton-Fayette-Highland Educational Service District  
 Combined Statement of Cash Flows  
 Proprietary Fund Type and NonExpendable Trust Funds  
 For the Year Ended June 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum only)
	Internal Service	Nonexpendable Trust	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Tuition & Fees	\$119,225	\$0	\$119,225
Cash Received from Investment Earnings	0	64,616	64,616
Cash Received from Charges for Services	95,529	0	95,529
Cash Received from Miscellaneous Sources	505	332	837
Cash Payments for Personal Services	(152,965)	0	(152,965)
Cash Payments for Contract Services	(26,817)	(512)	(27,329)
Cash Payments for Supplies & Materials	(39,782)	0	(39,782)
Cash Payments for Other Expenses	0	(52,499)	(52,499)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(4,305)</b>	<b>11,937</b>	<b>7,632</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Cash Received from Operating Grants	21,005	0	21,005
Other	2,300	0	2,300
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>23,305</b>	<b>0</b>	<b>23,305</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(2,910)	0	(2,910)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(2,910)</b>	<b>0</b>	<b>(2,910)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>16,090</b>	<b>11,937</b>	<b>28,027</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>78,820</b>	<b>959,979</b>	<b>1,038,799</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$94,910</b>	<b>\$971,916</b>	<b>\$1,066,826</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$5,501	\$4,565	\$10,066
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>			
Depreciation	2,500	0	2,500
<b>Changes in Assets and Liabilities:</b>			
(Increase) Decrease in Accounts Receivables	(7,270)	0	(7,270)
(Increase) Decrease in Accrued Interest	0	7,372	7,372
Increase (Decrease) in Accounts Payable	(481)	0	(481)
Increase (Decrease) in Accrued Wages & Benefits	(4,631)	0	(4,631)
Increase (Decrease) in Compensated Absences Payable	76	0	76
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(\$4,305)</b>	<b>\$11,937</b>	<b>\$7,632</b>
<b>Reconciliation of Nonexpendable Trust Fund to Balance Sheet:</b>			
Equity in Pooled Cash and Investments		\$1,644,947	
Restricted Cash and Investments		371,916	
Equity in Pooled Cash and Investments - All Fiduciary Funds		2,016,863	
Equity in Pooled Cash and Investments - Agency Funds, Expendable Trust Fund and Investment Trust Fund		(1,044,946)	
Equity in Pooled Cash and Investments - NonExpendable Trust Fund		\$971,917	

See accompanying notes.

Clinton-Fayette-Highland Educational Service District  
Statement of Changes in Net Assets  
Fiduciary Fund Type  
For the Year Ended June 30, 2000

	<u>Investment Trust</u>
Revenues	
Interest	\$5,522
Expenses	
Operating Expenses	<u>0</u>
Net Increase in Assets Resulting From Operations	5,522
Capital Transactions	<u>63,203</u>
Total Increase in Net Assets	68,725
Net Assets Beginning of Year	<u>959,751</u>
Net Assets End of Year	<u><u>\$1,028,476</u></u>

See accompanying notes.



**Clinton-Fayette-Highland Educational Service District**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2000**

**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE DISTRICT AND REPORTING ENTITY**

The Clinton-Fayette-Highland Educational Service District Governing Board (referred to as "District") organized on July 1, 1997, and operates under current standards prescribed by the Ohio State Board of Education as provided in 3311.053 of the Ohio Revised Code for county educational service centers.

The District was formed by the merger of the Clinton County, Fayette County, and Highland County educational service centers. The Governing Board is a 2-year transition governing board made up of the five elected board members from each of the three counties at the time of the merger on 7/1/97. The District was divided into 9 voting regions. The 9-member elected governing board can, at the January organizational meeting, appoint up to 8 additional members to serve on the governing board for a maximum of 17 members. The resolution to merge explains this issue in more detail.

This District operates the following office facilities--the Central Board Office and the Clinton County Educational Service Center at 62 Laurel Drive, Wilmington, Ohio and the Highland County Educational Service Center in Hillsboro, Ohio. The Fayette County services are provided either from staff at the central office or through a service contract with the Miami Trace Local School District, Washington C.H., Ohio.

The District employs 75 non-certificated, 41certificated, and 29 administrative employees to provide service to the seven local school districts in Clinton County (Blanchester, Clinton-Massie, East Clinton), Fayette County (Miami Trace), Highland County (Bright, Fairfield, Lynchburg-Clay), the 3 city school districts of Hillsboro, Washington C.H., and Wilmington, and the 1 exempted village school district of Greenfield, as an educational service district as well as the school districts in the 5-county area served by Hopewell.

The District provides fiscal agent services to the following organizations: Hopewell Special Education Regional Resource Center (Hopewell), 5350 West New Market Road, Hillsboro, Ohio; Clinton County Parent Mentor Council, 62 Laurel Drive, Wilmington, Ohio; DARE, through the Clinton County Sheriff, Wilmington, Ohio; Hopewell JOG, Inc., Hillsboro, Ohio; and Clinton County School-To-Work, East Main Street, Wilmington, Ohio. Hopewell SERRC is accounted for as an investment trust fund while the other funds with fiscal agent relationships are reported as agency funds for GAAP purposes.

**Reporting Entity**

A District reporting entity is comprised of the primary government. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate

from the District. For the District, this includes general operations, preschool, teacher developmental, gifted, work study, special education, alternative school, media center cooperative, and technology activities.

The Hopewell Special Education Regional Resource Center (SERRC) is a separate agency that serves the school districts in Adams, Brown, Clinton, Fayette, and Highland counties through cooperative agreements with regard to special education mandates established by the State of Ohio. Hopewell has a Governing Board made up of superintendents from each of the participating school districts including this district. The District is the fiscal agent for Hopewell but is not financially accountable for their operations nor are the entities fiscally dependent on the District. Hopewell is accounted for as an investment trust.

The District is associated with eight organizations, which are defined as a jointly governed organization, a group purchasing pool, and a related organization.

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

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of Presentation - Fund Accounting**

The District 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 District functions or activities.

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

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

#### **Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District is expendable financial resources

and the related current liabilities are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the operating fund of the District 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Project Fund - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

#### Proprietary Funds:

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

Internal Service Funds - Internal Service Funds account for the financing of services provided by one department or agency to another department or agency of the school district on a cost-reimbursement basis or to other governmental units.

#### Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds are:

Expendable Trust Funds - Expendable Trust Funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Fund - The Nonexpendable Trust Fund is accounted for in essentially the same manner as proprietary funds.

Agency Funds - Agency Funds account for resources custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Investment Trust Fund - The Investment Trust Fund (operated similar to a proprietary fund), is used to account for the activity of the Educational Service District's external

investment pool. The activity in this fund is accounted for using the accrual basis of accounting.

#### Account Groups:

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

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

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

#### B. Measurement Focus and Basis of Accounting

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

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

The internal service, nonexpendable trust and investment trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants and accounts.

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. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. 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 internal service, nonexpendable trust and investment trust funds. Revenues are recognized when they are earned, and expenses are incurred.

### C. Budgetary Process

In the first quarter of each fiscal year the Educational Service District 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 District. Part C includes the appropriations of the Educational Service District. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service District the amount from part B that is to be apportioned to their district.

#### *Appropriations:*

Annual appropriations are enacted by the Educational Service District at fund, function and object level of expenditures. Budgetary integration is employed as a management control device during the year for all funds. During the year, monthly supplemental appropriations were enacted. The budget figures, which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

#### *Encumbrances:*

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

#### *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, all cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet. During the fiscal year, investments were limited to Repurchase Agreements, U.S. Treasury Bonds and U.S. Money Market Fund. Except for investment contracts (repurchase agreements), investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes, all investment earnings accrue to the General Fund except those specifically related to certain trust funds and those funds individually authorized by Governing Board resolution. Interest was credited to Hopewell during the fiscal year. Investment revenue credited to the general fund during the fiscal year amounted to \$114,881.

For purposes of the combined statement of cash flows, the proprietary fund portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the proprietary funds without prior notice or penalty.

E. Restricted Assets

Restricted assets in the nonexpendable trust fund represent cash and investments restricted by trust agreements to be used for scholarships.

F. Inventory

Inventories of governmental funds are stated at cost. 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. There was no significant inventory at year-end.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond year-end 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.

H. Fixed Assets and Depreciation

General Fixed Assets--General fixed assets are capitalized at cost (or estimate historical cost) and updated for the cost of additions and retirements during the year in the General Fixed

Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

Proprietary Funds--Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Building and building improvement useful life	20 years
Machinery, equipment, furniture useful life	3 years

I. 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 District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems

Entry Year Program

Telecommunity Grant

Eisenhower Math and Science Grant

Ohio School Net Professional Development

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 District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and a percentage calculated through historic data of retirement severances, taking into consideration any limits specified in the district's termination policy.

The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for all employees based on the termination method. 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.

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 contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

L. Interfund Transactions

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure or the portion of fund balance that is legally segregated for a specific future use. Fund balances have been reserved for encumbrances and scholarships (the investment earnings and principal from the nonexpendable trust fund).

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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



P. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board of Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

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

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 and Expendable Trust Fund types**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP BASIS	\$158,523	\$130,701	(\$294,359)	\$485
Adjustments:				
Revenue Accruals	67,479	(56,539)	0	0
Expenditure Accruals	12,208	7,421	(10,000)	(280)
Encumbrances	<u>(262,135)</u>	<u>(31,375)</u>	<u>(1,416)</u>	<u>0</u>
BUDGET BASIS	<u>(\$ 23,925)</u>	<u>\$ 50,208</u>	<u>(\$305,775)</u>	<u>\$205</u>

## **NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District 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 District 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 District 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 deposits maturing not more than one year from the date of deposit, or by savings or deposit accounts including pass book accounts.

Protection of the District 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.

State statute permits interim monies to be deposited or invested in the following securities:

1. United State treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or 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. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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 from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating 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 District, and must be purchased with the expectation that it will be held to maturity.

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

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

Deposits: At fiscal year-end, the carrying amount of the district's deposits was \$2,354,802 and the bank balance was \$2,511,570. Of the bank balance, \$674,005 was covered by federal depository insurance or by collateral held by the District's agent in the District's name. The remaining amounts were uninsured and uncollateralized as defined by the GASB. Although the securities serving as collateral were held by the pledging financial institution's trust department in the district's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The district's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the district's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the district's name. Category 3 includes insured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the district's name. Money Market Mutual funds are not risk categorized since they are not evidenced by securities that exist in physical or book entry form.

<u>Investments</u>	<u>Risk Category</u>	<u>Carrying Value &amp; Fair Value</u>
U.S. Treasury Bond	3	\$800,000
U.S. Money Market Mutual Fund	-	150,000
Repurchase Agreement	3	<u>571,422</u>
Total Investments		<u>\$1,521,422</u>

### **NOTE 5 - FIXED ASSETS**

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

<u>Asset Category</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at End of Year</u>
Land	\$560,200	\$ 0	\$ 0	\$560,200
Furniture and Equipment	<u>\$122,690</u>	<u>\$59,700</u>	<u>7,052</u>	<u>175,338</u>
Total	<u>\$682,890</u>	<u>\$59,700</u>	<u>\$7,052</u>	<u>\$735,538</u>

A summary for proprietary fund fixed assets at year-end:

Furniture and Equipment	\$38,311
Less Accumulated Depreciation	<u>(24,382)</u>
Net Fixed Assets	<u>\$13,929</u>

### **NOTE 6 - RISK MANAGEMENT**

The District 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 the fiscal year, the Clinton County Educational Service Center facility was leased by the Clinton County Commissioners. The District contracted with the Smith-Feike-Minton Agency, coverage from the Cincinnati Insurance Company, for content insurance for the educational service center as well as the gifted classrooms and the alternative school. The Highland County Educational Service Center facility was provided by the Highland County Commissioners. The District contracted with Cincinnati Insurance Company for content insurance for the educational service center, the preschool classroom, and the alternative school.

The District contracted with the Nationwide Mutual Insurance Company with a \$1,000,000 single occurrence limit and a \$3,000,000 aggregate for professional liability insurance.

The District contracted with the Cincinnati Insurance Company, for commercial coverage on the van operated by the Media Center.

The Ohio Casualty Group Insurance Company maintains a \$ 20,000 public official bond for the Treasurer.

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

For fiscal year, the District participated in the Southwestern Ohio EPC Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District 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 Anthem Comp Services provides administrative, cost control and actuarial services to the GRP.

#### **NOTE 7 - DEFINED BENEFIT PENSION PLANS**

##### **A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS Retirement Board. The

district's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$207,551, \$192,152 and \$130,259, respectively.

#### B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 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 District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$312,441, \$309,030 and \$321,386, respectively. The fiscal year contribution for STRS is paid after the close of the fiscal year.

#### 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, fourteen of the district's employees (board members) have elected Social Security. The district's liability is 6.2 percent of wages paid.

### **NOTE 8 - POSTEMPLOYMENT BENEFITS**

The District 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.

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 health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered

payroll. For the year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund.

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

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

For this fiscal year, employer contributions to fund health care benefits were 6.30 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. 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 were \$126,380,984 and the target level was \$189.9 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 51,000 participants currently receiving health care benefits.

## **NOTE 9 - OTHER EMPLOYEE BENEFITS**

### **A. Compensated Absences**

The criteria for determining vacation and sick leave components are set by the Governing Board and State laws. Eligible classified employees and administrators earn ten to twenty days of vacation per year, depending upon length of service. Accumulated vacation must be used by the end of the calendar year earned or be lost. 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 225 days for all personnel. Upon retirement payment is made for twenty-five percent of the employee's accumulated sick leave with a maximum payment being limited to 35 days.

B. Health Care Benefits

The District provides term life insurance, accidental death and dismemberment insurance to all of its eligible full and part time employees through CoreSource, underwritten by the Great American Reserve Insurance Company.

The District provides health care and vision insurance benefits through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC), using the Anthem Blue Cross.

The District provides dental insurance benefits through the Clinton County Health Insurance Consortium administered by CoreSource of Columbus, Ohio.

C. 125 Plan

The District provides its eligible full and part time employees an option to participate in a 125 plan. Through election to participate, the employees can have their portion of their medical and dental premiums tax exempt. Participation is renewed annually with each fiscal year during the month of September. This plan is administered by the Capital American Insurance Company.

**NOTE 10 - JOINTLY-GOVERNED ORGANIZATION**

*Miami Valley Educational Computer Association (MVECA)*

The District is a member of the Miami Valley Educational Computer Association (MVECA) which is a computer consortium A-site. MVECA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 districts. The General Assembly of MVECA consists of two representatives from each of the 27 participating school districts; that is, the superintendent and the treasurer. The Board of Directors is elected from this group. The degree of control exercised by any participating district is limited to its representation on the Board. To obtain financial information; write to MVECA, 330 East Enon Road, Yellow Springs, Ohio 45387.

*Clinton County Health Insurance Consortium*

The District is a member of the Clinton County Health Insurance Consortium, which also includes Clinton-Massie Local and East Clinton Local. The Consortium has entered into an agreement to establish an employee welfare benefit plan, which sets forth the procedure by which eligible employees of these participating districts can secure dental insurance. The monthly premiums are jointly paid by the employers and employees according to local, negotiated agreements and board policies. The district superintendents govern this consortium and CoreSource of Columbus administers the payment of claims. The participating districts are political subdivisions of the State of Ohio. The plan qualifies as a governmental plan as defined



by Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA) and is therefore exempt from ERISA requirements.

*Hopewell Special Education Regional Resource Center (Hopewell)*

Hopewell is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, the Clinton-Fayette-Highland Educational Service District governing board, and its own governing board. The Hopewell Governing Board is made up of superintendents from the seventeen school districts plus the educational service district, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The District acts as fiscal agent for Hopewell through a written agreement. Hopewell receives funding from contracts with each of the member school districts, state unit funding, and state and federal grants.

**NOTE 11 - GROUP PURCHASING POOL**

*Southwestern Ohio Educational Purchasing Cooperative (SWOEPC)*

The Southwestern Ohio Educational Purchasing Cooperative (SWOEPC) is a group purchasing pool consisting of public school districts. The purpose of a group purchasing pool is to purchase products or services at a reduced rate. The District participates with the SWOEPC in the purchase of supplies, audio/visual materials, and the management of unemployment and workers compensation.

*Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust*

The Southwestern Ohio Educational Purchasing Cooperative Employee Benefit Plan Trust (the Plan) is a group purchasing pool consisting of public school districts who are members of the SWOEPC (described above). The purpose of a group purchasing pool is for members to pool funds or resources to purchase group insurance products to provide health benefits to participants at a lower rate than if the individual district acted independently. Each district pays a monthly premium to the Trust fund for insurance coverage which is provided by Anthem Blue Cross or United Healthcare. The Plan is governed by a Board of Trustees elected in accordance with the Trust Agreement and voted on by participating SWOEPC member districts.

*Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan*

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Program (WCGRP) was established through the Southwestern Ohio Educational Purchasing Cooperative (SWOEPC) as a group purchasing

pool. The WCGRP's business and affairs are conducted by a Board of Directors. The Executive Director of the SWOEP, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

#### **NOTE 12 - RELATED ORGANIZATION**

##### *Great Oaks Institute of Technology and Career Development (Great Oaks)*

The District appoints by law one board member to serve on the board of Great Oaks, located in Cincinnati, Ohio. This board member also represents the districts of Clinton-Massie Local and Blanchester Local, per their request. All other districts participating from the counties of Clinton, Fayette, and Highland, send their own representatives.

##### *Southern Hills Joint Vocational School*

The District appoints by law one board member to serve on the Southern Hills Joint Vocational School, located in Georgetown, Ohio, which serves Bright Local, one of the districts in the 3-county educational service district.

#### **NOTE 13 - CONTINGENCIES**

##### A. Grants:

The District 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 District at year-end.

##### B. Litigation:

There are currently no matters in litigation with the District as defendant.

#### **NOTE 14 - STATE FUNDING**

The District 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 schools to which the District 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 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 districts served by the District \$40.52. This amount is provided from State resources.

If additional funding is needed for the District, and if a majority of the Boards of Education of the school districts served by the District approve, the cost of Part (B) of the budget can be increased. This is done to provide funding for specific programs and is approved by those school districts participating in the programs. Those school districts that participate and approve increased funding share in the 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 districts approve or disapprove the additional apportionment.

#### **NOTE 15 - SCHOOL FUNDING\SUBSEQUENT EVENTS**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$2,084,110 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State 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 warranting further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

**NOTE 16 - INVESTMENT POOL**

The District serves as fiscal agent for the Hopewell Special Education Regional Resource Center. The District pools the moneys of this entity with the District's moneys for investment purposes. 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 investment pool consists of certificates of deposit and money market funds.

Condensed financial information for the investment pool follows:

	Statement of Net Assets June 30, 2000 <u>(latest available information)</u>
	<u>Assets</u>
Cash	<u>\$ 3,876,224</u>
Total Assets	<u>\$ 3,876,224</u>
 <b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$ 2,847,748
External Portion	<u>1,028,476</u>
Total Net Assets Held in Trust for Pool Participants	<u>\$ 3,876,224</u>
 <b>Revenues</b>	
Interest Income	\$ 119,140
 <b>Expenses</b>	
Operating Expenses	<u>\$ 0</u>
Net Increase in Assets Resulting From Operations	\$ 119,140
Capital Transactions	<u>\$ 5,114</u>
Increase in Net Assets	\$ 124,254
Net Assets Beginning of Year	<u>\$ 3,751,970</u>
Net Assets End of Year	<u>\$ 3,876,224</u>

**NOTE 17 – PRIOR PERIOD ADJUSTMENT**

The beginning balances of the Expendable Trust Fund and the Nonexpendable Trust Fund have been adjusted due to a prior year error. The adjustments are as follows:

	<u>General Fund</u>	<u>Nonexpendable Trust Fund</u>
Beginning Fund Balance Previously Stated, June 30, 1999	\$940	\$969,515
Prior Period Adjustment	<u>(280)</u>	<u>280</u>
Beginning Fund Balance As Restated, July 1, 1999	<u>\$660</u>	<u>\$969,795</u>

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**CLINTON-FAYETTE-HIGHLAND EDUCATIONAL SERVICE DISTRICT  
CLINTON COUNTY**

**SCHEDULE OF FEDERAL AWARD EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster: Title VI-B, Handicapped - State Grants (Part B, Education of the Handicapped Act)	84.027	6B-S1-98 6B-S1-99 6B-SX-99	\$738,991	\$660,100
Title VI-B, Special Education - Preschool Grants	84.173	PG-S1-99 PG-S7-00 PG-S8-00	31,821	36,951
Total Special Education Cluster			<u>770,812</u>	<u>697,051</u>
Special Education - Personnel L.I.F.E.	84.158	PF-S1-98	20,000	21,401
Eisenhower Mathematics and Science Education	84.281	MS-S1-00	20,452	34,133
Education Systemic Improvement Grants	84.276	G2-S3-99 G2-S3-00 G2-S9-00	145,000	128,971
Total Department of Education			<u>956,264</u>	<u>881,556</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed through Ohio Department of Health:</i>				
Special Education: Grants for Infants and Families with Disabilities	84.181	N/A	193,755	209,290
<i>Passed through Ohio Department of MR/DD</i> Medical Assistance Program/CAFS	93.778	N/A	<u>123,238</u>	<u>123,238</u>
Total Department of Health			316,993	332,529
<i>Passed through State Library of Ohio:</i> Library Services and Technology Act	45.310	N/A	44,011	35,819
			<u>44,011</u>	<u>35,819</u>
<b>U.S. DEPARTMENT OF LABOR</b>				
<i>Passed through Ohio Department of Labor:</i>				
Employment Services and Job Training Pilot and Demonstration Programs	17.249	WK-BE-98 WK-BE-99	<u>15,857</u>	<u>18,662</u>
Total Department of Labor			<u>15,857</u>	<u>18,662</u>
<b>Total Federal Financial Award Expenditures</b>			<u><b>\$1,333,125</b></u>	<u><b>\$1,268,565</b></u>

The accompanying notes to this schedule are an intergral part of this schedule

**CLINTON-FAYETTE-HIGHLAND EDUCATIONAL SERVICE DISTRICT  
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Award Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - COMMUNITY ALTERNATIVE FUNDING SYSTEM**

Receipts for this grant are posted to the general fund. It is assumed federal monies are expended first.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Clinton-Fayette-Highland Educational Service District  
Clinton County  
62 Laurel Drive  
Wilmington, Ohio 45177

To the Board of Education:

We have audited the financial statements of the Clinton-Fayette-Highland Educational Service District, Clinton County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District'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 District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 25, 2001.

Clinton-Fayette-Highland Educational Service District  
Clinton County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

January 25, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Clinton-Fayette-Highland Educational Service District  
Clinton County  
62 Laurel Drive  
Wilmington, Ohio 45177

To the Board of Education:

**Compliance**

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

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District'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 District's compliance with those requirements.

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

**Internal Control Over Compliance**

The management of the District 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 District'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.

Clinton-Fayette-Highland Educational Service District  
Clinton County  
Report on Compliance with Requirements Applicable to Each Major  
Federal Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133  
Page 2

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 management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

January 25, 2001

**CLINTON-FAYETTE-HIGHLAND EDUCATIONAL SERVICE DISTRICT  
CLINTON COUNTY**

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

**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 non-compliance 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 CFDA #84.027 and #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**CLINTON-FAYETTE-HIGHLAND EDUCATIONAL SERVICE DISTRICT**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 22, 2001**