



**GUERNSEY/MONROE/NOBLE EDUCATIONAL
SERVICE CENTER
GUERNSEY COUNTY**

**SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2000**

**REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 1999**



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

REPORT OF INDEPENDENT ACCOUNTANTS

Guernsey/Monroe/Noble Educational Service Center
Guernsey County
749 Wheeling Ave., 3rd Floor
Cambridge, Ohio 43725

To the Board of Education:

We have audited the accompanying financial statements of Guernsey/Monroe/Noble Educational Service Center, Guernsey County, Ohio (the Educational Service Center), as of and for the years ended June 30, 2000 and 1999. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-01 requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the Educational Service Center prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Guernsey/Monroe/Noble Educational Service Center, Guernsey County, as of June 30, 2000 and 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 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.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Educational Service Center, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the June 30, 2000 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the June 30, 2000 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the June 30, 2000 financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 2, 2000

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 2000

| | |
|---------------------------|----------------------------|
| Cash and Cash Equivalents | \$ 282,348 |
| Investments | |
| Repurchase Agreement | <u>1,088,000</u> |
| Total | <u>\$ 1,370,348</u> |

CASH BALANCES BY FUND TYPE

| | |
|----------------------------|----------------------------|
| Governmental Funds: | |
| General Fund | \$ 830,752 |
| Special Revenue Funds | 185,756 |
| Proprietary Funds: | |
| Internal Service Funds | 113,476 |
| Fiduciary Funds: | |
| Expendable Trust | 238,945 |
| Agency Funds | <u>1,419</u> |
| Total | <u>\$ 1,370,348</u> |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | <u>Governmental Fund Types</u> | | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|--------------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Expendable Trust</u> | |
| Cash Receipts: | | | | |
| Receipts from Local Sources | | | | |
| Tuition | \$ 950 | \$ | \$ | \$ 950 |
| Earnings on Investments | 50,396 | 23 | 12,102 | 62,521 |
| Miscellaneous | 969,481 | 76,218 | | 1,045,699 |
| Receipts from State Sources | | | | |
| Unrestricted Grants-in-Aid | 1,815,964 | 69,897 | | 1,885,861 |
| Restricted Grants-in-Aid | | 211,740 | | 211,740 |
| Receipts from Federal Sources | | | | |
| Restricted Grants-in-Aid | <u>226,129</u> | <u>135,860</u> | | <u>361,989</u> |
| Total Cash Receipts | <u>3,062,920</u> | <u>493,738</u> | <u>12,102</u> | <u>3,568,760</u> |
| Cash Disbursements: | | | | |
| Instruction: | | | | |
| Regular | | 80,281 | | 80,281 |
| Special | 904,134 | 46,470 | | 950,604 |
| Vocational Education | 15,906 | | | 15,906 |
| Adult/Continuing | 23,399 | | | 23,399 |
| Supporting Services: | | | | |
| Pupils | 760,098 | 26,827 | | 786,925 |
| Instructional Staff | 748,437 | 233,408 | | 981,845 |
| Board of Education | 18,872 | 500 | | 19,372 |
| Administration | 431,260 | 130,042 | | 561,302 |
| Fiscal Services | 78,547 | 2,285 | | 80,832 |
| Operation and Maintenance - Plant | 9,872 | | | 9,872 |
| Pupil Transportation | 10,077 | | | 10,077 |
| Central | | 4,099 | | 4,099 |
| Operation of Non-Instructional Services: | | | | |
| Community Services | | 3,249 | 10,162 | 13,411 |
| Extracurricular Activities: | | | | |
| Sports Oriented | <u>52,717</u> | | | <u>52,717</u> |
| Total Cash Disbursements | <u>3,053,319</u> | <u>527,161</u> | <u>10,162</u> | <u>3,590,642</u> |
| Excess of Cash Receipts Over/(Under) | | | | |
| Cash Disbursements | 9,601 | (33,423) | 1,940 | (21,882) |
| Fund Cash Balances, July 1, 1999 | <u>821,151</u> | <u>219,179</u> | <u>237,005</u> | <u>1,277,335</u> |
| Fund Cash Balances, June 30, 2000 | <u>\$ 830,752</u> | <u>\$ 185,756</u> | <u>\$ 238,945</u> | <u>\$ 1,255,453</u> |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| | Proprietary Fund Type Internal Service | Fiduciary Fund Type Agency | Totals (Memorandum Only) |
|--|---|---|---|
| Operating Cash Disbursements: | | | |
| Employees' Retirement and Insurance | \$ 30,605 | \$ | \$ 30,605 |
| Purchased Services | 159,126 | 8 | 159,134 |
| Supplies and Materials | 7 | | 7 |
| Total Operating Cash Disbursements | 189,738 | 8 | 189,746 |
| Operating Income/(Loss) | (189,738) | (8) | (189,746) |
| Nonoperating Cash Receipts: | | | |
| Earnings on Investments | 4,999 | | 4,999 |
| Miscellaneous | 226,524 | | 226,524 |
| Total Nonoperating Cash Receipts | 231,523 | | 231,523 |
| Net Income/(Loss) | 41,785 | (8) | 41,777 |
| Fund Cash Balances, July 1, 1999 | 71,691 | 1,427 | 73,118 |
| Fund Cash Balances, June 30, 2000 | \$ 113,476 | \$ 1,419 | \$ 114,895 |

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

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

| <u>Fund Types/Funds</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|----------------------------|--|
| Governmental | | | |
| General | \$ 2,983,575 | \$ 3,062,920 | \$ 79,345 |
| Special Revenue | 613,897 | 493,738 | (120,159) |
| Proprietary | | | |
| Internal Service | 232,365 | 231,523 | (842) |
| Fiduciary | | | |
| Expendable Trust | <u>12,102</u> | <u>12,102</u> | <u>0</u> |
| Totals (Memorandum Only) | <u>\$ 3,841,939</u> | <u>\$ 3,800,283</u> | <u>\$ (41,656)</u> |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

| <u>Fund Types/Funds</u> | <u>Appropriations</u> | <u>Disbursements</u> | <u>Encumbrances Outstanding 6/30/00</u> | <u>Total</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|----------------------------|---|----------------------------|---|
| Governmental | | | | | |
| General | \$ 4,005,654 | \$ 3,053,319 | \$ 573 | \$ 3,053,892 | \$ 951,762 |
| Special Revenue | 833,062 | 527,161 | 12 | 527,173 | 305,889 |
| Proprietary | | | | | |
| Internal Service | 207,864 | 189,738 | | 189,738 | 18,126 |
| Fiduciary | | | | | |
| Expendable Trust | 11,000 | 10,162 | | 10,162 | 838 |
| Agency | <u>1,427</u> | <u>8</u> | | <u>8</u> | <u>1,419</u> |
| Totals (Memorandum Only) | <u>\$ 5,059,007</u> | <u>\$ 3,780,388</u> | <u>\$ 585</u> | <u>\$ 3,780,973</u> | <u>\$ 1,278,034</u> |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

COMBINED STATEMENT OF CASH, INVESTMENTS AND FUND
CASH BALANCES - ALL FUND TYPES
AS OF JUNE 30, 1999

| | |
|---------------------------|----------------------------|
| Cash and Cash Equivalents | \$ 208,453 |
| Investments | |
| Repurchase Agreement | <u>1,142,000</u> |
| Total | <u>\$ 1,350,453</u> |

CASH BALANCES BY FUND TYPE

| | |
|----------------------------|----------------------------|
| Governmental Funds: | |
| General Fund | \$ 821,151 |
| Special Revenue Funds | 219,179 |
| Proprietary Funds: | |
| Internal Service Funds | 71,691 |
| Fiduciary Funds: | |
| Expendable Trust | 237,005 |
| Agency Funds | <u>1,427</u> |
| Total | <u>\$ 1,350,453</u> |

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

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | Governmental Fund Types | Fiduciary Fund Type | Totals |
|---|--------------------------------|----------------------------|--------------------------|
| | General | Special Revenue | (Memorandum Only) |
| | | Trust | |
| Cash Receipts: | | | |
| Receipts from Local Sources | | | |
| Tuition | \$ 1,170 | \$ | \$ 1,170 |
| Earnings on Investments | 43,952 | 6 | 55,063 |
| Miscellaneous | 622,853 | 40,972 | 663,825 |
| Receipts from State Sources | | | |
| Unrestricted Grants-in-Aid | 1,584,948 | 178,357 | 1,763,305 |
| Restricted Grants-in-Aid | | 340,406 | 340,406 |
| Receipts from Federal Sources | | | |
| Restricted Grants-in-Aid | 186,772 | 69,022 | 255,794 |
| Total Cash Receipts | 2,439,695 | 628,763 | 3,079,563 |
| Cash Disbursements: | | | |
| Instruction: | | | |
| Regular | | 69,402 | 69,402 |
| Special | 820,184 | 76,336 | 896,520 |
| Vocational Education | 17,385 | | 17,385 |
| Adult/Continuing | 21,250 | | 21,250 |
| Supporting Services: | | | |
| Pupils | 562,032 | 14,478 | 576,510 |
| Instructional Staff | 567,567 | 196,279 | 763,846 |
| Board of Education | 18,668 | 400 | 19,068 |
| Administration | 359,690 | 42,445 | 402,135 |
| Fiscal Services | 72,083 | 2,912 | 74,995 |
| Operation and Maintenance - Plant | 4,896 | | 4,896 |
| Pupil Transportation | 6,151 | 124 | 6,275 |
| Central | | 2,928 | 2,928 |
| Operation of Non-Instructional Services: | | | |
| Community Services | | | 12,510 |
| Extracurricular Activities: | | | |
| Sports Oriented | 49,629 | | 49,629 |
| Total Cash Disbursements | 2,499,535 | 405,304 | 2,917,349 |
| Total Cash Receipts Over/(Under) | | | |
| Cash Disbursements | (59,840) | 223,459 | 162,214 |
| Other Financing Receipts (Disbursements): | | | |
| Transfers-In | 126,368 | | 126,368 |
| Refund of Prior Year Expenditures | 3,351 | | 3,351 |
| Transfers-Out | | (126,368) | (126,368) |
| Total Other Financing Receipts (Disbursements) | 129,719 | (126,368) | 3,351 |
| Excess of Cash Receipts and Other Financing Receipts | | | |
| Over/(Under) Cash Disbursements and Other Financing Disbursements | 69,879 | 97,091 | (1,405) |
| Fund Cash Balances, July 1, 1998 | 751,272 | 122,088 | 1,111,770 |
| Fund Cash Balances, June 30, 1999 | \$ 821,151 | \$ 219,179 | \$ 237,005 |
| | | \$ 237,005 | \$ 1,277,335 |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

| | Proprietary Fund Type Internal Service | Fiduciary Fund Type Agency | Totals (Memorandum Only) |
|--|---|---|---|
| Operating Cash Disbursements: | | | |
| Employees' Retirement and Insurance | \$ 22,959 | \$ | \$ 22,959 |
| Purchased Services | 185,381 | 22 | 185,403 |
| Total Operating Cash Disbursements | 208,340 | 22 | 208,362 |
| Operating Income/(Loss) | (208,340) | (22) | (208,362) |
| Nonoperating Cash Receipts: | | | |
| Earnings on Investments | 4,792 | | 4,792 |
| Miscellaneous | 184,943 | | 184,943 |
| Total Nonoperating Cash Receipts | 189,735 | | 189,735 |
| Net Income/(Loss) | (18,605) | (22) | (18,627) |
| Fund Cash Balances, July 1, 1998 | 90,296 | 1,449 | 91,745 |
| Fund Cash Balances, June 30, 1999 | \$ 71,691 | \$ 1,427 | \$ 73,118 |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| <u>Fund Types/Funds</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|----------------------------|---|
| Governmental | | | |
| General | \$ 2,552,793 | \$ 2,569,414 | \$ 16,621 |
| Special Revenue | 638,740 | 628,763 | (9,977) |
| Proprietary | | | |
| Internal Service | 172,453 | 189,735 | 17,282 |
| Fiduciary | | | |
| Expendable Trust | <u>12,350</u> | <u>11,105</u> | <u>(1,245)</u> |
| Totals (Memorandum Only) | <u>\$ 3,376,336</u> | <u>\$ 3,399,017</u> | <u>\$ 22,681</u> |

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

EXPENDITURE AUTHORITY - ALL BUDGETED FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

| <u>Fund Types/Funds</u> | <u>Appropriations</u> | <u>Disbursements</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------|----------------------------|----------------------------|---|
| Governmental | | | |
| General | \$ 3,157,240 | \$ 2,499,535 | \$ 657,705 |
| Special Revenue | 721,985 | 531,672 | 190,313 |
| Proprietary | | | |
| Internal Service | 176,513 | 208,340 | (31,827) |
| Fiduciary | | | |
| Expendable Trust | 12,780 | 12,510 | 270 |
| Agency | <u>1,449</u> | <u>22</u> | <u>1,427</u> |
| Totals (Memorandum Only) | <u>\$ 4,069,967</u> | <u>\$ 3,252,079</u> | <u>\$ 817,888</u> |

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

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

1. DESCRIPTION OF THE ENTITY

The Guernsey/Monroe/Noble Educational Service Center is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Educational Service Center is a combined Educational Service Center as defined by Section 3311.053 of the Ohio Revised Code. The Educational Service Center provides supervisory, special education, administrative, and other services to the Cambridge City, Caldwell Exempted Village, East Guernsey Local, Noble Local, Rolling Hills Local, and Switzerland of Ohio Local School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large. Two members are elected to terms of two years and three members are elected to terms of four years. As of June 30, 2000, the Educational Service Center employed 65 certificated and 37 non-certificated employees.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards, and agencies which are not legally separate from the Educational Service Center. For Guernsey/Monroe/Noble Educational Service Center, this includes general operations and student related activities. The Educational Service Center does not have any component units.

The Educational Service Center is associated with the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA), which is defined as a jointly governed organization, and the Ohio School Boards Association Workers' Compensation Group Rating Program, an 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. These organizations are presented in Notes 5 and 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the Educational Service Center chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

B. Pooled Cash and Investments

The Educational Service Center maintains a cash and investment pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

Certificates of deposit and repurchase agreements are valued at cost. For purposes of financial statement presentation, certificates of deposit are considered cash equivalents.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Pooled Cash and Investments (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings.

C. Fund Accounting

The Educational Service Center uses funds 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 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.

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, proprietary, and fiduciary.

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 are accounted for through governmental funds. The following are the Educational Service Center's governmental fund types:

General Fund

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

Special Revenue Funds

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

2. Proprietary Fund Type

Proprietary 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:

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

Internal Service Fund

The internal service 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. Fiduciary Fund Types

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

D. Budgetary Process

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

The 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 is 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.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

1. 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's Board.

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.

2. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

3. Lapsing of Appropriations

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

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. Accumulated Unpaid Vacation, Sick, and Personal Leave

Accumulated unpaid vacation, sick, and personal leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the value of these benefits as of June 30, 2000.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury 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. Bonds and other obligations of the State of Ohio;

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days 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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At June 30, 2000 and June 30, 1999, respectively, the Educational Service Center's Internal Service Fund had balances of \$111,552 and \$71,691 with OME-RESA, a jointly governed organization (See Note 9). 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, Treasurer, 2023 Sunset Blvd., Steubenville, Ohio 43952.

A. Deposits

At June 30, 2000, the carrying amount of the Educational Service Center's deposits was \$170,796 and the bank balance was \$362,002. At June 30, 1999, the carrying amount of the Educational Service Center's deposits was \$136,761 and the bank balance was \$264,852. Of the bank balances as of June 30, 2000 and June 30, 1999, \$200,000 was covered by federal deposit insurance and \$162,002 and \$64,852, respectively, was uninsured and uncollateralized. Although the State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

B. 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 fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name.

For the year ending June 30, 2000, the classification was as follows:

| | Category 3 | Carrying Value | Market Value |
|----------------------|--------------------|--------------------|--------------------|
| Repurchase Agreement | <u>\$1,088,000</u> | <u>\$1,088,000</u> | <u>\$1,088,000</u> |
| Total | <u>\$1,088,000</u> | <u>\$1,088,000</u> | <u>\$1,088,000</u> |

For the year ending June 30, 1999, the classification was as follows:

| | Category 3 | Carrying Value | Market Value |
|----------------------|--------------------|--------------------|--------------------|
| Repurchase Agreement | <u>\$1,142,000</u> | <u>\$1,142,000</u> | <u>\$1,142,000</u> |
| Total | <u>\$1,142,000</u> | <u>\$1,142,000</u> | <u>\$1,142,000</u> |

4. STATE FUNDING

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) (see Note 2 (D)) of their budget. This funding is provided from State resources.

Part (B) (see Note 2 (D)) 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 \$40.52 for fiscal year 2000 and \$38.47 for fiscal year 1999. This amount is provided from State resources.

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.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

5. RISK MANAGEMENT

A. Property and Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Professional and general liability is provided by the Nationwide Insurance Company with a \$1,000,000 single occurrence limit with \$3,000,000 aggregate and no deductible. Settled claims have not exceeded this commercial coverage in any of the past five years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 2000 and 1999, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 10). 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. Employee Medical Benefits

Health, prescription, vision, and dental insurance is offered to employees through a self-insurance internal service fund. The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self- Insurance 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. The third party administrator, Self-Funded Plans, Inc., located in Cleveland, Ohio, reviews all claims which are then paid for on behalf of the Educational Service Center. The Educational Service Center purchases stop-loss coverage of \$50,000 per individual and an aggregate limit is set, annually, for the entire group. The Educational Service Center pays into the Self-Insurance Internal Service Fund \$493.86 for family coverage or \$229.61 for individual coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Educational Service Center 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the 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 salary was the portion used to fund pension obligations. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The required contributions for the Educational Service Center's pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$75,367, \$48,699, and \$42,896, respectively.

B. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered 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 years ended June 30, 2000, 1999, and 1998 were \$284,608, \$242,990, and \$204,029, respectively.

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, all Board members of the Educational Service Center have elected social security. The Board's liability is 6.2 percent of wages paid.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

7. 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 the 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 \$162,633 for fiscal year 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, 1998, 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.

After the allocation for basic benefit, 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, an increase from 6.30 percent for fiscal year 1999. 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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$43,072.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended 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.

8. OTHER EMPLOYEE BENEFITS

Life Insurance

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to employees through Self-Funded Plans, Inc., located in Cleveland, Ohio.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

9. 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 43952.

10. INSURANCE PURCHASING POOL

Ohio School Boards Association (OSBA) 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.

11. STATE SCHOOL FUNDING 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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this Educational Service Center. During the fiscal years ended June 30, 2000 and June 30, 1999, the Educational Service Center received \$1,815,964 and \$1,584,948, respectively, 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 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.

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.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

12. 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 the 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 Education Service Center at June 30, 2000.

B. Litigation

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

| Federal Grantor/ Pass-Through Grantor/ Program Title | Pass-Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|---|----------------------------------|---------------------------|-------------------|-------------------|
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Title I, Grants to Local Educational Agencies | 123281-C1-SS-98P | 84.010 | \$ 3,800 | \$ 3,800 |
| Special Education Preschool Grants | 123281-PG-S1-98P | 84.173 | 4,966 | 8,291 |
| | 123281-PG-S1-99P | 84.173 | <u>44,564</u> | <u>43,388</u> |
| Total Special Education Preschool Grants | | | 49,530 | 51,679 |
| Education for Homeless Children and Youth | 123281-HC-S1-99 | 84.196 | 0 | 8,470 |
| | 123281-HC-S1-99P | 84.196 | 27,000 | 26,171 |
| | 123281-HC-S1-00 | 84.196 | <u>23,330</u> | <u>15,852</u> |
| Total Education for Homeless Children and Youth | | | 50,330 | 50,493 |
| Goals 2000 - State and Local Education Systematic Improvement Grants | 123281-G2-S9-00 | 84.276 | <u>30,000</u> | <u>24,016</u> |
| Total U.S. Department of Education | | | 133,660 | 129,988 |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | | | |
| <i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i> | | | | |
| Medical Assistance Program (Medicaid, Title XIX) | N/A | 93.778 | <u>226,129</u> | <u>226,129</u> |
| Total U.S. Department of Health and Human Services | | | <u>226,129</u> | <u>226,129</u> |
| Total Federal Awards Receipts and Expenditures | | | <u>\$ 359,789</u> | <u>\$ 356,117</u> |

The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEARS ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701

Telephone 740-594-3300
800-441-1389

Facsimile 740-594-2110

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

Guernsey/Monroe/Noble Educational Service Center
Guernsey County
749 Wheeling Ave., 3rd Floor
Cambridge, Ohio 43725

To the Board of Education:

We have audited the financial statements of Guernsey/Monroe/Noble Educational Service Center, Guernsey County, Ohio (the Educational Service Center), as of and for the years ended June 30, 2000 and 1999, and have issued our report thereon dated November 2, 2000, in which we noted the Educational Service Center had not adopted generally accepted accounting principles. We conducted our audits 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-11030-001 and 2000-11030-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Educational Service Center in a separate letter dated November 2, 2000.

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 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 Educational Service Center in a separate letter dated November 2, 2000.

Guernsey/Monroe/Noble Educational Service Center
Guernsey County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit committee, management, 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

November 2, 2000



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

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110

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

Guernsey/Monroe/Noble Educational Service Center
Guernsey County
749 Wheeling Ave., 3rd Floor
Cambridge, Ohio 43725

To the Board of Education:

Compliance

We have audited the compliance of Guernsey/Monroe/Noble Educational Service Center, Guernsey County, Ohio (the Educational Service Center), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The Educational Service Center's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on the Educational Service Center'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 Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Service Center's compliance with those requirements.

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

Internal Control Over Compliance

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

Guernsey/Monroe/Noble Educational Service Center
Guernsey County
Report of Independent Accountants on Compliance With Requirements Applicable
to Each Major Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
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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. We noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated November 2, 2000.

This report is intended for the information and use of the audit committee, management, 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

October 25, 2000

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

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|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
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|---------------------|---|--|
| (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)? | Yes |
| (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): | Medical Assistance Program (Medicaid, Title XIX) CFDA # 93.778 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

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|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2000-11030-001

Noncompliance Citation

Ohio Admin. Code § 117-2-01 requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles for fiscal years ended June 30, 2000 and 1999. However, the Educational Service Center prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omitted assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The Educational Service Center can be fined and various other administrative remedies may be taken against the Educational Service Center.

We recommend that the Educational Service Center take the necessary steps to ensure the annual financial report is prepared in accordance with generally accepted accounting principles.

FINDING NUMBER 2000-11030-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

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

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

Fifty-eight percent of the expenditures reviewed for fiscal year 1999 and fiscal year 2000 were not certified by the Treasurer prior to the purchase commitment. These commitments were not subsequently resolved to be paid by the Board within the aforementioned 30 day time period.

We recommend the Educational Service Center utilize purchase orders signed by the Treasurer to document the Treasurer's certification of the availability of appropriated funds prior to purchase commitments.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for federal awards for this audit period.

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|-----------------------|--|-------------------------|--|
| 1998-11030-001 | Ohio Admin. Code Section 117-2-01 for not reporting its annual financial report in accordance with generally accepted accounting principles. | No | Not Corrected; the noncompliance citation is repeated for the fiscal years ended June 30, 2000 and 1999 (Finding Number 2000-11030-001). |

**GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER
GUERNSEY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|--|-----------------------------|-----------------------------|
| 2000-11030-001 | None. | N/A | Glenn Tidrick, Treasurer |
| 2000-11030-002 | Continue to work at ways to reduce number of unencumbered items. | 12/31/00 | Glenn Tidrick, Treasurer |



STATE OF OHIO
OFFICE OF THE AUDITOR

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

GUERNSEY/MONROE/NOBLE EDUCATIONAL SERVICE CENTER

GUERNSEY 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**