



**LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER

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REPORT OF INDEPENDENT ACCOUNTANTS

Lawrence County Educational Service Center
Lawrence County
111 South Fourth Street
Ironton, Ohio 45638

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Lawrence County Educational Service Center, Lawrence County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 Lawrence County Educational Service Center, Lawrence County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2001 on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

December 12, 2001

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**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

| | Governmental Fund Types | | Fiduciary Fund Type | General Fixed Assets |
|--|----------------------------|--------------------|------------------------|----------------------------|
| | General | Special Revenue | Agency | |
| <u>Assets and Other Debits:</u> | | | | |
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$427,601 | \$28,218 | \$60,783 | \$0 |
| Intergovernmental Receivable | 108,307 | 16,500 | 0 | 0 |
| Accrued Interest Receivable | 1,121 | 0 | 0 | 0 |
| Interfund Receivable | 357 | 0 | 0 | 0 |
| Prepaid Items | 5,040 | 1,004 | 0 | 0 |
| Fixed Assets | 0 | 0 | 0 | 111,382 |
| <u>Other Debits:</u> | | | | |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$542,426 | \$45,722 | \$60,783 | \$111,382 |
| <u>Liabilities, Fund Equity and Other Credits:</u> | | | | |
| <u>Liabilities:</u> | | | | |
| Accounts Payable | \$3,729 | \$389 | \$0 | \$0 |
| Accrued Wages and Benefits Payable | 34,988 | 0 | 0 | 0 |
| Compensated Absences Payable | 17,344 | 0 | 0 | 0 |
| Interfund Payable | 0 | 357 | 0 | 0 |
| Intergovernmental Payable | 115,797 | 2,055 | 0 | 0 |
| Deferred Revenue | 10,407 | 16,500 | 0 | 0 |
| Undistributed Monies | 0 | 0 | 60,783 | 0 |
| Total Liabilities | 182,265 | 19,301 | 60,783 | 0 |
| <u>Fund Equity and Other Credits:</u> | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 111,382 |
| Fund Balance: | | | | |
| Reserved for Encumbrances | 11,903 | 506 | 0 | 0 |
| Unreserved, Undesignated | 348,258 | 25,915 | 0 | 0 |
| Total Fund Equity and Other Credits | 360,161 | 26,421 | 0 | 111,382 |
| Total Liabilities, Fund Equity and Other Credits | \$542,426 | \$45,722 | \$60,783 | \$111,382 |

See accompanying notes to the general purpose financial statements

| General Long-Term Obligations | Totals (Memorandum Only) |
|-------------------------------------|--------------------------------|
| \$0 | \$516,602 |
| 0 | 124,807 |
| 0 | 1,121 |
| 0 | 357 |
| 0 | 6,044 |
| 0 | 111,382 |
| <u>274,948</u> | <u>274,948</u> |
| <u><u>\$274,948</u></u> | <u><u>\$1,035,261</u></u> |
| \$0 | \$4,118 |
| 0 | 34,988 |
| 185,894 | 203,238 |
| 0 | 357 |
| 89,054 | 206,906 |
| 0 | 26,907 |
| 0 | 60,783 |
| <u>274,948</u> | <u>537,297</u> |
| 0 | 111,382 |
| 0 | 12,409 |
| <u>0</u> | <u>374,173</u> |
| <u>0</u> | <u>497,964</u> |
| <u><u>\$274,948</u></u> | <u><u>\$1,035,261</u></u> |

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| <u>Revenues:</u> | | | |
| Intergovernmental | \$877,883 | \$398,730 | \$1,276,613 |
| Customer Services | 871,578 | 0 | 871,578 |
| Interest | 18,156 | 0 | 18,156 |
| Extracurricular Activities | 1,000 | 0 | 1,000 |
| | | | |
| Total Revenues | 1,768,617 | 398,730 | 2,167,347 |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| Instruction | | | |
| Regular | 79,430 | 158,388 | 237,818 |
| Vocational | 754 | 0 | 754 |
| Adult/Continuing | 0 | 1,901 | 1,901 |
| Other | 0 | 20,115 | 20,115 |
| Support Services | | | |
| Pupils | 950,027 | 33,537 | 983,564 |
| Instructional Staff | 308,289 | 148,376 | 456,665 |
| Board of Education | 53,826 | 0 | 53,826 |
| Administration | 179,526 | 114,177 | 293,703 |
| Fiscal | 73,115 | 4,694 | 77,809 |
| Business | 1,752 | 0 | 1,752 |
| Operation and Maintenance of Plant | 16,424 | 7,000 | 23,424 |
| Central | 143 | 5,299 | 5,442 |
| Non-Instructional Services | 1,200 | 0 | 1,200 |
| | | | |
| Total Expenditures | 1,664,486 | 493,487 | 2,157,973 |
| | | | |
| Excess of Revenues Over/(Under) Expenditures | 104,131 | (94,757) | 9,374 |
| | | | |
| Fund Balances at Beginning of Year (Restated - Note 3) | 256,030 | 121,178 | 377,208 |
| | | | |
| Fund Balances at End of Year | \$360,161 | \$26,421 | \$386,582 |

See accompanying notes to the general purpose financial statements

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**EDUCATIONAL SERVICES CENTER
LAWRENCE COUNTY**

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

| | General Fund | | |
|---|-------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Intergovernmental | \$956,684 | \$956,684 | \$0 |
| Customer Services | 831,093 | 831,093 | 0 |
| Interest | 18,757 | 18,757 | 0 |
| Extracurricular Activities | 1,000 | 1,000 | 0 |
| Total Revenues | 1,807,534 | 1,807,534 | 0 |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| Instruction | | | |
| Regular | 69,354 | 69,354 | 0 |
| Vocational | 750 | 750 | 0 |
| Adult/Continuing | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| Support Services | | | |
| Pupils | 966,427 | 965,993 | 434 |
| Instructional Staff | 300,695 | 305,695 | (5,000) |
| Board of Education | 54,775 | 54,775 | 0 |
| Administration | 177,452 | 177,452 | 0 |
| Fiscal | 73,940 | 73,940 | 0 |
| Business | 1,752 | 1,752 | 0 |
| Operation and Maintenance of Plant | 18,137 | 18,137 | 0 |
| Central | 9,667 | 9,667 | 0 |
| Non-Instructional Services | 1,200 | 1,200 | 0 |
| Total Expenditures | 1,674,149 | 1,678,715 | (4,566) |
| Excess of Revenues Over (Under) Expenditures | 133,385 | 128,819 | (4,566) |
| <u>Other Financing Sources (Uses):</u> | | | |
| Advances In | 7,606 | 7,606 | 0 |
| Advances Out | (357) | (357) | 0 |
| Total Other Financing Sources (Uses) | 7,249 | 7,249 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 140,634 | 136,068 | (4,566) |
| Fund Balances at Beginning of Year | 250,049 | 250,049 | 0 |
| Prior Year Encumbrances Appropriated | 26,384 | 26,384 | 0 |
| Fund Balances at End of Year | \$417,067 | \$412,501 | (\$4,566) |

**LAWRENCE COUNTY EDUCATIONAL SERVICES CENTER
LAWRENCE COUNTY**

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

| | Special Revenue Funds | | |
|---|-----------------------|-----------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Intergovernmental | \$406,742 | \$406,742 | \$0 |
| Customer Services | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 |
| Total Revenues | 406,742 | 406,742 | 0 |
| <u>Expenditures:</u> | | | |
| <u>Current:</u> | | | |
| Instruction | | | |
| Regular | 0 | 0 | 0 |
| Vocational | 159,232 | 159,232 | 0 |
| Adult/Continuing | 1,901 | 1,901 | 0 |
| Other | 20,000 | 20,000 | 0 |
| Support Services | | | |
| Pupils | 34,901 | 34,901 | 0 |
| Instructional Staff | 148,929 | 148,929 | 0 |
| Board of Education | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 |
| Fiscal | 114,291 | 114,291 | 0 |
| Business | 4,675 | 4,675 | 0 |
| Operation and Maintenance of Plant | 7,000 | 7,000 | 0 |
| Central | 5,299 | 5,299 | 0 |
| Non-Instructional Services | 0 | 0 | 0 |
| Total Expenditures | 496,228 | 496,228 | 0 |
| Excess of Revenues Over (Under) Expenditures | (89,486) | (89,486) | 0 |
| <u>Other Financing Sources (Uses):</u> | | | |
| Advances In | 357 | 357 | 0 |
| Advances Out | (7,606) | (7,606) | 0 |
| Total Other Financing Sources (Uses) | (7,249) | (7,249) | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (96,735) | (96,735) | 0 |
| Fund Balances at Beginning of Year | 122,494 | 122,494 | 0 |
| Prior Year Encumbrances Appropriated | 1,564 | 1,564 | 0 |
| Fund Balances at End of Year | \$27,323 | \$27,323 | \$0 |

See accompanying notes to the general purpose financial statements

| Totals (Memorandum Only) | | |
|--------------------------|-------------|--|
| Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$1,363,426 | \$1,363,426 | \$0 |
| 831,093 | 831,093 | 0 |
| 18,757 | 18,757 | 0 |
| 1,000 | 1,000 | 0 |
| 2,214,276 | 2,214,276 | 0 |
| 69,354 | 69,354 | 0 |
| 159,982 | 159,982 | 0 |
| 1,901 | 1,901 | 0 |
| 20,000 | 20,000 | 0 |
| 1,001,328 | 1,000,894 | 434 |
| 449,624 | 454,624 | (5,000) |
| 54,775 | 54,775 | 0 |
| 177,452 | 177,452 | 0 |
| 188,231 | 188,231 | 0 |
| 6,427 | 6,427 | 0 |
| 25,137 | 25,137 | 0 |
| 14,966 | 14,966 | 0 |
| 1,200 | 1,200 | 0 |
| 2,170,377 | 2,174,943 | (4,566) |
| 43,899 | 39,333 | (4,566) |
| 7,963 | 7,963 | 0 |
| (7,963) | (7,963) | 0 |
| 0 | 0 | 0 |
| 43,899 | 39,333 | (4,566) |
| 372,543 | 372,543 | 0 |
| 27,948 | 27,948 | 0 |
| \$444,390 | \$439,824 | (\$4,566) |

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 1 - REPORTING ENTITY

The Lawrence County Educational Service Center (the "Educational Service Center") is located in Ironton, Ohio, the county seat. The Educational Service Center provides supervisory, special education, administrative, and other services to Dawson-Bryant, Fairland, Rock Hill, South Point, and Symmes Valley Local School Districts, as well as the Lawrence County Joint Vocational School District. Ironton City School District and Chesapeake-Union Exempted Village School District are served on a limited basis in the area of handicapped students. 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 Lawrence County Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 21 support staff employees and 17 certified administrators that provide services to the school districts.

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

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

The Educational Service Center is associated with two organizations which are defined as jointly governed organizations. These are the South Central Ohio Computer Association and the Lawrence County Joint Vocational School District. Information about these organizations is presented in Note 14 to the combined financial statements.

The Educational Service Center is associated with two organizations which are defined as insurance purchasing pools, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Lawrence County Schools Insurance Consortium. Information about these organizations are presented in Note 15 to the combined financial statements.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

The Educational Service Center uses funds and account groups to report on their 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 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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types

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

General Fund

This fund is used to account for all financial resources of the Educational Service Center 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.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

Special Revenue Funds

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Educational Service Center's only fiduciary fund is an agency fund. The Educational Service Center's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups

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

General Fixed Assets Account Group

The general fixed assets account group is used to account for all fixed assets of the Educational Service Center.

General Long-Term Obligations Account Group

The general long-term obligations account group is used to account for all long-term debt of the Educational Service Center.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 generally are 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.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

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

The Educational Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than on expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

C. Budgetary Data

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

The Educational Service Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balance and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget 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 Department 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.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

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 levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. 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 any total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Educational Service Center.

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year.

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 Cash Equivalents

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

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

During fiscal year 2001, investments were limited to repurchase agreements and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Educational Service Center has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$18,156, which includes \$10,076 assigned from other Educational Service Center funds.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure in the year in which services are consumed.

F. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. The Educational Service Center had no inventory items at June 30, 2001.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Lawrence County Educational Service Center maintains a capitalization threshold of three hundred dollars. The Educational Service Center does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

The Educational Service Center currently participates in several State and Federal programs, categorized as follows:

Entitlements

- General Fund
- State Foundation Program

Non-Reimbursable Grants

- Special Revenue Funds
 - Local Professional Development
 - Education Management Information Systems
 - Parents as Teachers
 - Dental Sealant
 - Drug-Free Schools
 - Preventative Health/Project Arch
 - State/Community Highway Safety
 - Goals 2000

Reimbursable Grants

- General Fund
 - General Education Development Reimbursement
 - Community Alternative Funding System
 - Social Workers Grant

Grants and entitlements amounted to approximately 58 percent of governmental fund revenue during the 2001 fiscal year.

I. Interfund Assets/Liabilities

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

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for employees after 15 years of current service with the Educational Service Center.

The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other Interfund transfers are reported as operating transfers.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

M. Fund Balance Reserves

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

N. Total Columns on General Purpose Financial Statements

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

O. Estimates

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

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000, there was no effect on fund balance as a result of implementing these GASB statements.

B. Prior Period Adjustment

In prior years, the following area was misstated: interfund activity. The interfund activity was understated because a prior period advance was improperly recorded as a transfer. The effect of this on the excess of revenues and other financing sources over (under) expenditures and other uses as previously reported for the year ended June 30, 2000 is as follows:

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

| | General | Special Revenues |
|-----------------------------------|----------|---------------------|
| Excess as previously reported | \$8,485 | \$70,095 |
| Restatement of Interfund Activity | 7,606 | (7,606) |
| | \$16,091 | \$62,489 |

The change in interfund activity had the following effect on fund balance as it was previously reported as of June 30, 2000.

| | General | Special Revenue |
|--|-----------|--------------------|
| Fund Balance as previously reported | \$248,424 | \$128,784 |
| Interfund activity improperly classified | 7,606 | (7,606) |
| | \$256,030 | \$121,178 |

In the prior year, the general fixed assets account group was overstated due to the inclusion of assets not belonging to the Educational Service Center. This restatement caused a decrease of \$63,123 in general fixed asset account group, from \$164,890 to \$101,767.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis), All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis). The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

| Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses All Governmental Fund Types | | |
|--|-----------|--------------------|
| | General | Special Revenue |
| GAAP Basis | \$104,131 | (\$94,757) |
| Revenue Accruals | 40,317 | 8,012 |
| Expenditure Accruals | 4,511 | (842) |
| Unrecorded Cash | (1,400) | 0 |
| Prepays | (5,040) | (1,004) |
| Advances - In | 7,606 | 357 |
| Advances - Out | (357) | (7,606) |
| Encumbrances | (13,700) | (895) |
| Budget Basis | \$136,068 | (\$96,735) |

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

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 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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAROhio).

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.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

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 Educational Service Center's deposits was \$123,352 and the bank balance was \$289,750. Of the bank balance:

1. \$189,750 was covered by federal deposit insurance; and
2. \$100,000 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the Educational Service Center to a successful claim by the FDIC.

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

| | <u>Category 3</u> | <u>Fair Value</u> |
|-----------------------|-------------------|-------------------|
| Repurchase Agreements | 393,250 | 393,250 |

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

| | Cash and Cash Equivalents/Deposits | Investments |
|-----------------------|---------------------------------------|-------------|
| GASB Statement 9 | \$516,602 | \$0 |
| Investments: | | |
| Repurchase Agreements | (393,250) | 393,250 |
| GASB Statement 3 | \$123,352 | \$393,250 |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2001, consisted of accounts (customer services) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | Amounts |
|--|-----------|
| General Fund | |
| Community Alternative Funding System | 24,293 |
| Social Workers Grant | 80,934 |
| Customer Services for the School Districts | 3,080 |
| Total General Fund | 108,307 |
| Special Revenue Funds | |
| Dental Sealant | 16,500 |
| Total Intergovernmental Receivables | \$124,807 |

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 7 - FIXED ASSETS

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

| Asset Category | Balance at 06/30/00 | Additions | Deletions | Balance at 06/30/01 |
|-----------------------------------|---------------------------|-----------|-----------|---------------------------|
| Furniture, Fixtures and Equipment | \$101,767 | \$33,706 | \$24,091 | \$111,382 |

NOTE 8 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the Educational Service Center contracted with Nationwide Insurance for liability insurance. The policy has no deductible, with a \$2,000,000 single occurrence limit with a \$5,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant reduction in coverage from the prior year.

For fiscal year 2001, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 14). 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 educational service centers and school districts is calculated as one experience and a common premium rate is applied to all educational service centers and 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 educational service centers and 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.

The Educational Service Center participates in the Lawrence County Schools Insurance Purchasing Consortium (Consortium), an insurance purchasing pool (Note 15). The intent of the Consortium is to achieve the benefit of a reduced health insurance premium for the School District by virtue of its grouping and representation with other participants in the consortium. Each participant pays its health insurance premium to the insurance provider that has been selected by the Consortium. Participation in the Consortium is limited to school districts that can meet the criteria outlined in the Consortium's operating articles. The firm of Cross and Associates provides administrative services to the Consortium.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$46,242, \$83,799, and \$44,783, respectively; 100 percent has been contributed for fiscal years 2001, 2000 and 1999.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, 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 Educational Service Center 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$25,170, \$30,620, and \$28,861, respectively; 0 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$32,961 represents the unpaid contribution for fiscal year 2001. This liability is recorded as a liability within the general long-term obligations account group.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-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 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, 2001, 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 \$123,313 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$63,884.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees earn twenty days of vacation per calendar year. Unused vacation time is lost at December 31.

Employees earn sick leave at the rate of fifteen days per year. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-half of accrued, but unused sick leave credit to a maximum of 90 days.

B. Health Care Benefits

The Educational Service Center provides health and major medical insurance for all eligible employees through Medical Mutual of Ohio Healthcare Benefits. The Service Center pays sixty-four percent of monthly premiums, or \$484.12 for family coverage and sixty-seven percent of monthly premiums, or \$206.72 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. The Service Center also provides prescription drug insurance to its employees through the same insurance carrier.

NOTE 12 - LONG-TERM OBLIGATIONS

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

| | Outstanding 6/30/00 | Additions | Deductions | Outstanding 6/30/01 |
|---------------------------|------------------------|-----------|------------|------------------------|
| Compensated Absences | \$168,569 | \$25,767 | \$8,442 | \$185,894 |
| Intergovernmental Payable | 6,160 | 89,054 | 6,160 | 89,054 |
| Total General Long-Term | \$174,729 | \$114,821 | \$14,602 | \$274,948 |

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

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association (SCOCA) is a jointly governed organization among public school districts and educational service centers within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross and Lawrence Counties. The organization was formed with the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts and educational service centers. The governing board of SCOCA consists of two representatives from each of the seven participating counties and one representative from the fiscal agent. All revenues are generated from an annual fee of \$2.00 per student to participating districts and State funding. To obtain financial information write to the Pike County Joint Vocational School District, P.O. Box 577, 23365 State Route 124, Piketon, Ohio 45661.

The Lawrence County Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Chesapeake Union Exempted Village School District, two from the Ironton City School District, and two from the Lawrence County Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Lawrence County Joint Vocational School District, 11627 State Route 243, Chesapeake, OH 45619.

NOTE 14 - INSURANCE PURCHASING POOLS

The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 the coordinator of the program. Each year, the participating school districts and educational service centers pay an enrollment fee to the GRP to cover the costs of administering the program.

The Educational Service Center participates in the Lawrence County Schools Insurance Purchasing Consortium, an insurance purchasing pool. The consortium's business and affairs are conducted by a nine member Board of Directors consisting of the superintendents of member school districts and educational service centers.

**EDUCATIONAL SERVICE CENTER
LAWRENCE COUNTY**

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The Lawrence County Educational Service Center is currently not party to any pending litigation.

NOTE 16 - SUBSEQUENT EVENTS

As July 1, 2001, the Lawrence County Educational Service Center ceased from being the fiscal agent of the Lawrence County Family Children First Council. The Educational Service Center transferred all Family Children First Council assets and liabilities to the Lawrence County Mental Retardation and Development Disabilities.

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

Lawrence County Educational Service Center
Lawrence County
111 South Fourth Street
Ironton, Ohio 45638

To the Governing Board:

We have audited the general purpose financial statements of the Lawrence County Educational Service Center, Lawrence County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Educational Service Center in a separate letter dated December 12, 2001.

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 a 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 December 12, 2001.

Lawrence County Educational Service Center
Lawrence 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 of the and use of the audit committee, management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

December 12, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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LAWRENCE COUNTY EDUCATIONAL SERVICE CENTER

LAWRENCE 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
DECEMBER 27, 2001**