



Mary Taylor, CPA
Auditor of State

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Belmont County Educational Service Center
Belmont County
101 North Market Street, Suite C
St. Clairsville, Ohio 43950

To the Governing Board:

We have audited the accompanying financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2007. 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 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03(B) requires the Educational Service Center to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Belmont County Educational Service Center, Belmont County, Ohio, as of and for the year ended June 30, 2007 in accordance with accounting principles generally accepted in the United States of America.

The Educational Service Center has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

April 28, 2008

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2007**

Cash and Cash Equivalents	\$168,482
Cash and Cash Equivalents with Fiscal Agent	15,576
Investments:	
STAROhio	<u>285</u>
Total	<u><u>\$184,343</u></u>

CASH BALANCES BY FUND TYPE

Governmental Funds:	
General Fund	\$149,171
Special Revenue Funds	19,596
Proprietary Fund:	
Internal Service Funds	<u>15,576</u>
Total	<u><u>\$184,343</u></u>

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
Cash Receipts:				
Receipts from Local Sources:				
Earnings on Investments	\$4,382			\$4,382
Charges for Services	1,074,383			1,074,383
Miscellaneous	3,193			3,193
Receipts from Intermediate Sources:				
Restricted Grants-in-Aid		11,281		11,281
Receipts from State Sources:				
Unrestricted Grants-in-Aid	515,833			515,833
Restricted Grants-in-Aid		8,100		8,100
Receipts from Federal Sources:				
Restricted Grants-in-Aid		42,587		42,587
Total Cash Receipts	<u>1,597,791</u>	<u>61,968</u>	<u>\$0</u>	<u>1,659,759</u>
Cash Disbursements:				
Instruction:				
Special	345,548	46,039		391,587
Adult/Continuing	1,500			1,500
Supporting Services:				
Pupils	297,538			297,538
Instructional Staff	264,188			264,188
Board of Education	21,039			21,039
Administration	505,021	2,233	(1,148)	506,106
Fiscal Services	55,556			55,556
Central	1,269	2,688		3,957
Total Cash Disbursements	<u>1,491,659</u>	<u>50,960</u>	<u>(1,148)</u>	<u>1,541,471</u>
Excess of Cash Receipts Over Cash Disbursements	106,132	11,008	1,148	118,288
Fund Cash Balances, July 1	<u>43,039</u>	<u>8,588</u>	<u>(1,148)</u>	<u>50,479</u>
Fund Cash Balances, June 30	<u>\$149,171</u>	<u>\$19,596</u>	<u>\$0</u>	<u>\$168,767</u>
Reserve for Encumbrances, June 30	<u>\$5</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5</u>

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal		(Memorandum Only)
	Service	Agency	
Operating Cash Receipts:			
Charges to Other Funds	\$67,634		\$67,634
Total Operating Cash Receipts	<u>67,634</u>	<u>\$0</u>	<u>67,634</u>
Operating Cash Disbursements:			
Purchased Services	68,950		68,950
Supplies and Materials		5	5
Total Operating Cash Disbursements	<u>68,950</u>	<u>5</u>	<u>68,955</u>
Operating Loss	(1,316)	(5)	(1,321)
Nonoperating Cash Receipts:			
Earnings on Investments	741		741
Total Nonoperating Cash Receipts	<u>741</u>	<u>0</u>	<u>741</u>
Net Loss	(575)	(5)	(580)
Fund Cash Balances, July 1	<u>16,151</u>	<u>5</u>	<u>16,156</u>
Fund Cash Balances, June 30	<u><u>\$15,576</u></u>	<u><u>\$0</u></u>	<u><u>\$15,576</u></u>

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

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**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The Belmont County Educational Service Center (the 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 Barnesville Exempted Village, Bellaire Local, Bridgeport Exempted Village, Martins Ferry City, Shadyside Local, St. Clairsville – Richland City, and Union Local School Districts. The Educational Service Center furnishes leadership and consulting services designated 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 for staggered four year terms. As of June 30, 2007, the Educational Service Center employed 19 certificated and 9 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 separated from the Educational Service Center. For the 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 involved with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the East Central Ohio Special Education Regional Resource Center (ECO SERRC), and the Ohio Coalition of Equity and Adequacy of School Funding (OCEASF), which are defined as jointly governed organizations; the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program and the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), which are defined as insurance purchasing pools; 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 8 and 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Educational Service Center chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. 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.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Pooled Cash and Investments

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. The Educational Service Center utilizes a self-insurance third party administrator to review and pay claims. Money held by the administrator is presented as "Cash and Cash Equivalents with Fiscal Agent" on the "Combined Statement of Cash, Investments and Fund Cash Balances".

During fiscal year 2007, investments were limited to STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investment in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2007.

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

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

C. Fund Accounting

The Educational Service Center uses funds to report 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 of governmental, proprietary and fiduciary.

Governmental Fund Types

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

Governmental Fund Types (Continued)

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.

Capital Project Funds

Capital Project Funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds).

Proprietary Fund Type

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

Internal Service Funds

Internal Service Funds account 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.

Fiduciary Fund Type (Agency Funds)

These funds are used to account for funds in which the Educational Service Center is acting in an agency capacity.

D. Budgetary Data

No budgetary information is presented because the Board did not approve estimated revenues or adopt appropriations. Under Ohio law, Educational Service Centers are no longer required to prepare a budget.

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.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting used by the Educational Service Center. All leave will either be absorbed by the 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, 2007.

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

Monies held by the Educational Service Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Educational Service Center treasury. Active 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 Governing Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the Educational Service Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to the principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by the 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, Governmental 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;

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Times certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in Division (1) or (2) of Ohio Rev. Code Section 135.18 and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

At June 30, 2007, the Educational Service Center's internal service fund had a balance of \$15,576 with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a claims servicing pool (see Note 9). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the Educational Service Center. Disclosures 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 Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, 2023 Sunset Blvd., Steubenville, Ohio 43952-1349.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2007, \$119,326 of the Educational Service Center's bank balance of \$219,326, including the payroll account balance of \$35,669, was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

The Educational Service Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Educational Service Center or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2007, the Educational Service Center had an investment in STAROhio. The fair value of the investments in STAROhio was \$285 and had an average maturity of 34.77 days.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS (continued)

Interest Rate Risk. The Educational Service Center's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk. STAROhio carries a rating of AAAm by Standards and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Educational Service Center had no investment policy that addresses credit risk.

4. PRIMARY REVENUE SOURCES

There are two primary sources of operating revenue for the Educational Service Center. The first primary source for Educational Service Center operating dollars comes from payments made directly to the Educational Service Center by districts that have contracted with the Educational Service Center for services. These dollars are reported as charges for services. The second source is State foundation distributions. The Educational Service Center settlement report for foundation payments has two sections: paid by the State and paid by the local school districts.

State Foundation Distributions - Amounts Paid by the State - This section has three parts. The first part is entitled Special Education and includes State funding for early childhood (preschool) and gifted units as well as extended service amounts for teachers involved in cooperative units. The extended service amounts received from the State will eventually be recovered by the State from the districts that are part of the cooperative agreement.

The second part of this section is the per pupil amount. This amount is provided by the State. It is currently calculated by multiplying the average daily membership (ADM) of the local school districts within the limits of the Educational Service Center's territory times \$37. The Educational Service Center also receives a per pupil amount for city and exempted village districts with which it had entered into a contract by January 1, 1997.

The third part represents supervisory extended service amounts associated with co-op units. The amount will be recovered by the State from districts that are parties to the cooperative agreement.

The amounts paid by the State for co-op extended service and recovered from the participating districts are reported as charges for services. The other money distributed within this section is State money appropriately recorded as unrestricted grants-in-aid.

State Foundation Distributions - Amounts Paid by the Local - This section has three parts. The first part is the amount paid by the districts for supervisors, the second part is the per pupil amount paid by the districts and the third part is the extended service amounts paid by the districts for units that are not being provided under a co-op agreement. Each school district's per pupil amount is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. These amounts are withheld by the State from the participating districts. These amounts are all reported as charges for services.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(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.

The Educational Service Center, along with other school districts in Ohio, participates in the Schools of Ohio Risk Sharing Authority, Inc. Plan (SORSA), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The Educational Service Center pays this annual premium to the SORSA (see Note 9).

Insurance coverage provided includes the following:

Coverage	Limits	Members Deductible
<u>General Liability:</u>		
Bodily Injury and Property Damage	\$1,000,000	none
Personal Injury/Advertising Liability	\$1,000,000	none
Products/Completed Operations	\$1,000,000	none
Employee Benefits Liability	\$1,000,000	none
General Annual Aggregate	\$3,000,000	none
Fire Legal Liability	\$500,000	none
Medical Payments Occurrence/Aggregate	\$5,000/\$25,000	none
<u>Educators' Legal Liability:</u>		
Errors or Omissions	\$1,000,000	\$5,000
<u>Automobile Liability:</u>		
Hired and Non-owned Liability	\$1,000,000	none
<u>Property:</u>		
Inland Marine, Miscellaneous Equipment, Equipment Breakdown and Auto Physical Damage	\$51,050	\$1,000
<u>Crime Coverage:</u>		
Employee Dishonesty Including Faithful Performance of Duty	\$50,000	\$1,000
Forgery or Alteration	\$50,000	\$1,000
Computer Fraud	\$50,000	\$1,000
Theft, Disappearance and Destruction	\$50,000	\$1,000

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. RISK MANAGEMENT (Continued)

A. Property and Liability (Continued)

Public officials bonds were acquired for the Board President and Vice President, Superintendent, Treasurer, and Administrative Secretary through State Auto Insurance Companies, a commercial insurance company.

B. Workers' Compensation

For fiscal year 2007, the Educational Service Center participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 9). The intent 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 pool. 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 pool. 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 is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc., provides administrative, cost control and actuarial services to the Educational Service Center.

C. Employee Benefits

The Educational Service Center is self insured for prescription, life, vision and dental insurance. The Educational Service Center is a member of the OME-RESA claims servicing pool. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. These premium costs are recovered by costs from charges to other funds based on an actuarially determined cost per employee. The claims liability of \$1,145 below is based on actual claims incurred on or before July 1, 2007 and paid July 1, 2007 through September 27, 2007 as provided by the third-party administrator.

A comparison of Self Insurance cash and investments to the liability as of June 30 follows:

	<u>2007</u>	<u>2006</u>
Cash and investments	\$15,576	\$15,494
Actuarial liabilities	\$1,145	\$722

The Educational Service Center also provides health, life and accidental death and dismemberment insurance to its employees through Anthem Life Insurance Company and Fort Dearborn Life Insurance Company.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 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's 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 2007, 10.68 percent of annual covered salary 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$21,685, \$20,204, and \$15,797 respectively.

B. State Teachers Retirement System

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$100,683, 115,489, and \$104,479, 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, 2007, one Board member of the Educational Service Center has elected Social Security. The Board's liability is 6.2 percent of wages paid.

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 Ohio), 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Educational Service Center, this amount equaled \$7,745 for fiscal year 2007.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the fiscal year 2007 equaled \$11,019.

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 projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

8. JOINTLY GOVERNED ORGANIZATIONS

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

OME-RESA was created as a regional council of governments pursuant to State statute. OME-RESA participants consist of school districts and county educational service centers. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, and cooperative purchasing services to member districts. During fiscal year 2007, the total amount paid to OME-RESA from the Educational Service Center was \$59,923. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

8. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Ohio Coalition of Equity and Adequacy of School Funding (OCEASF)

OCEASF was organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2007, the Educational Service Center paid \$453 to the Coalition.

East Central Ohio Special Education Regional Resource Center (ECOSERRC)

ECOSERRC is a not-for-profit council of governments of various school districts and other organizations in east central Ohio that operates under the direction of an Advisory Board that consists of one or more superintendents from each of the 10 participating counties. This Board establishes policy, approves the budget and recommends employment through its fiscal agent, Tuscarawas, Carroll, Harrison Educational Service Center. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the Educational Service Center and the ECOSERRC is not financially dependent upon the continued participation of the Educational Service Center. The Educational Service Center does not maintain an equity interest in or financial responsibility for the ECOSERRC. Financial information can be obtained by contacting Julie A. Lynch, Treasurer, at the Tuscarawas-Carroll-Harrison Educational Service Center, 834 E. High Avenue, New Philadelphia, Ohio 44663-3052.

9. PUBLIC ENTITY POOLS

A. Insurance Purchasing Pools

Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program

The Educational Service Center participates in the Ohio Association of School Business Officials (OASBO) 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 OASBO. The Director of the OASBO, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. PUBLIC ENTITY POOLS (Continued)

A. Insurance Purchasing Pools (Continued)

Schools of Ohio Risk Sharing Authority, Inc. (SORSA)

The Educational Service Center participates in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to Educational Service Center property and persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by SORSA. Coverage includes comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 N. High Street, Suite 160, Columbus, Ohio 43235-6483.

B. Claims Servicing Pool

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

The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, 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.

10. CONTINGENCIES

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 are 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, 2007.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Belmont County Educational Service Center
Belmont County
101 North Market Street, Suite C
St. Clairsville, Ohio 43950

To the Governing Board:

We have audited the financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2007, and have issued our report thereon dated April 28, 2008, wherein we noted the Educational Service Center prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Educational Service Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Educational Service Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Educational Service Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Educational Service Center's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weakness.

We also noted certain internal control matters that we reported to the Educational Service Center's management in a separate letter dated April 28, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Educational Service Center's management in a separate letter dated April 28, 2008.

The Educational Service Center's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Educational Service Center's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and the Governing Board. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 28, 2008

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the reports, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the Educational Service Center to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the Educational Service Center prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the Educational Service Center can be fined and various other administrative remedies may be taken against the Educational Service Center for its failure to file the required report.

We recommend the Educational Service Center take the necessary steps to ensure the annual financial report is prepared in accordance with GAAP. The Educational Service Center should refer to Auditor of State Bulletin 2005-002 which clarifies the Auditor of State's position on GAAP reporting.

Officials' Response

The Board feels the cost of GAAP reporting/audit out weighs the benefit of the GAAP report.

FINDING NUMBER 2007-002

Noncompliance and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Educational Service Center did not have effective control procedures in place to ensure the accuracy of receipt and disbursement line account postings or bank reconciliations. The following issues were noted during our testing of the Educational Service Center's posted financial activity and bank reconciliations:

- The Treasurer prepared monthly bank reconciliations for the general checking and the payroll clearance checking accounts which were signed by the Superintendent. However, both during the period and at year-end, the checking accounts were not reconciled with the accounting system. There were reconciling items on the checking account bank reconciliations that were unidentified and the bank reconciliations did not include the correct bank balance for the self insurance account.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Noncompliance and Significant Deficiency - Ohio Admin. Code Section 117-2-02(A) (Continued)

- There were several adjustment and/or memo transactions which did not have supporting documentation, including expenditures that were posted to the accounting system twice as well as expenditures that cleared the bank but were not posted to the accounting system at all.
- May 2006 through November 2006 self insurance activity was not posted until January 2007. Furthermore, the March and April 2007 self insurance activity was not posted until July 2007 (fiscal year 2008).
- A reimbursement to the Educational Service Center for General Fund expenditures incurred during the prior fiscal year was incorrectly posted to a Special Revenue Fund.

The aforementioned issues resulted in the following:

- Proposed adjustments to the General Fund for the net amount of \$14,309. This included a \$64 adjustment increasing miscellaneous receipts in order to resolve two reconciling items from fiscal year 2006, a \$31,466 adjustment decreasing supporting services - administration expenditures in order to remove a memo expenditure with no supporting documentation, a \$1,186 adjustment decreasing supporting services - administration expenditures in order to remove a Medicare transaction which was posted twice, a \$549 adjustment decreasing supporting services – fiscal services expenditures in order to remove a Medicare transaction which was posted twice, and a \$18,956 adjustment increasing supporting services – administration expenditures in order to properly reflect the Anthem Blue Cross and Blue Shield health insurance debit from the Educational Service Center's bank account as an expenditure.
- Proposed adjustments to the Self Insurance Fund to increase receipts by \$11,028, disbursements by \$7,349, and fund balance by \$3,679 in order to properly reflect the self insurance activity for March and April 2007 within fiscal year 2007.
- Proposed adjustments to decrease miscellaneous receipts by \$3,000 in the Special Revenue Fund Type and increase miscellaneous receipts by \$3,000 in the General Fund in order to account for the reimbursement in the proper fund.

Management was in agreement with the above adjustments which were posted to the Educational Service Center's accounting records on July 31, 2007 and March 12, 2008. The adjustments are reflected in the accompanying financial statements.

We recommend the Treasurer post all self insurance activity to the accounting system in a timely and accurate manner. Receipts and disbursements per the Monthly Financial Statement from OME-RESA should be posted to the Self Insurance Fund. The ending balance per the Monthly Financial Statement from OME-RESA should reconcile to the ending balance in the Self Insurance Fund.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Noncompliance and Significant Deficiency - Ohio Admin. Code Section 117-2-02(A) (Continued)

We further recommend the Treasurer properly reconcile the Educational Service Center's bank statements to the accounting system each month. The Superintendent should carefully review and approve the bank reconciliations each month ensuring that only valid reconciling items with supporting documentation are included on the reconciliations and documenting this review/approval by signing and dating reconciliations. The Governing Board should also review these bank reconciliations at each monthly board meeting and document this review/approval in the minute record.

Officials' Response

We were unaware how self-funded accounting practices worked which resulted in monthly reconciliation issues.

FINDING NUMBER 2007-003

Significant Deficiency

As part of a system of internal controls over non-payroll disbursements, the Educational Service Center used purchase orders to certify the availability of appropriations and encumber funds. Under this method, no contracts or expenditures of money were to occur unless a certificate signed by the Treasurer was attached. The Treasurer then certified the amount required to meet any such contract or expenditure that was lawfully appropriated and was in the treasury, or was in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

"Then and Now" certificates were used if the Treasurer could certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer was completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. The Educational Service Center would then authorize the drawing of a warrant for the payment of the amount due.

The Educational Service Center did not certify the availability of funds prior to purchase commitment for 10% of the expenditures tested. Additionally, then and now certifications were not issued for these expenditures.

Prior certification is a key control in the disbursement process to assure that purchase commitments receive prior approval. Failure to follow these procedures could result in overspending and/or negative cash balances.

To improve controls over disbursements and to help reduce the possibility of over spending, we recommend the Treasurer certify that funds are or will be available prior to obligation by the Educational Service Center. When prior certification is not possible, "then and now" certification could be used.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2007
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2007-003 (Continued)

Significant Deficiency (Continued)

Officials' Response

The Treasurer has instructed staff that all purchases will need a requisition with Superintendent's signature for approval of the purchase. Once approval has been granted a purchase order will be issued.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Admin. Code Section 117-2-03(B) for not filing annual financial statements in accordance with generally accepted accounting principles.	No	Not corrected; Reissued as Finding Number 2007-001.
2006-002	Ohio Rev. Code Section 5705.41(D)(1) for not properly certifying the availability of funds prior to incurring an obligation for 36% of the transactions tested.	No	Not corrected; Reissued as Finding Number 2007-003 as a significant deficiency.
2006-003	Internal control weaknesses over the excess costs billing system.	Yes	N/A.
2006-004	Agreements to provide services to school districts did not specify the services being provided and did not specify the terms for billing the administrative charges.	No	Partially corrected; Reissued in the management letter.



Mary Taylor, CPA
Auditor of State

BELMONT COUNTY EDUCATIONAL SERVICE CENTER

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 10, 2008**