

**MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Service Center), as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Service Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Muskingum Valley Educational Service Center, Muskingum County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 2 to the general purpose financial statements, the Service Center changed its method of accounting for certain Internal Revenue Code Section 457 Deferred Compensation Plans and changed the fund type classification for certain fund activity.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 8, 2000, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a faint, circular stamp or watermark.

Jim Petro
Auditor of State

March 8, 2000

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	<i>Governmental</i>		
	<i>Fund Types</i>		
	General Fund	Special Revenue Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>			
Assets:			
Cash and Cash Equivalents	\$1,721,646	\$822,862	\$0
Receivables:			
Accounts	4,143	0	0
Intergovernmental	150,968	72,798	295,280
Interest	9,951	0	0
Interfund Receivable	107,044	0	0
Due From Other Funds	5,608	0	0
Prepaid Items	336,876	0	0
General Fixed Assets	0	0	0
Other Debits:			
Amount to be Provided for			
General Long-Term Obligations	0	0	0
Total Assets and Other Debits	<u>\$2,336,236</u>	<u>\$895,660</u>	<u>\$295,280</u>
<u>Liabilities, Equity and Other Credits:</u>			
Liabilities:			
Accounts Payable	\$39,341	\$50,307	\$192
Accrued Wages and Benefits	373,069	33,811	454
Interfund Payable	0	0	107,044
Due to Other Funds	0	5,608	0
Intergovernmental Payables	126,730	30,481	3,819
Installment Loans Payable	0	0	0
Compensated Absences Payable	0	0	0
Total Liabilities	<u>539,140</u>	<u>120,207</u>	<u>111,509</u>
Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balances:			
Reserved for Encumbrances	51,198	246,764	5,449
Reserved for Prepaid Items	336,876	0	0
Unreserved:			
Undesignated	1,409,022	528,689	178,322
Total Equity and Other Credits	<u>1,797,096</u>	<u>775,453</u>	<u>183,771</u>
Total Liabilities, Equity and Other Credits	<u>\$2,336,236</u>	<u>\$895,660</u>	<u>\$295,280</u>

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

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		<i>Totals</i> <i>(Memorandum</i> <i>Only)</i>
<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>		
<i>Enterprise</i> <i>Fund</i>	<i>Internal</i> <i>Service</i> <i>Funds</i>	<i>Trust and</i> <i>Agency</i> <i>Funds</i>	<i>General</i> <i>Fixed</i> <i>Assets</i>	<i>General</i> <i>Long-Term</i> <i>Obligations</i>	
\$4,819	\$246,257	\$260	\$0	\$0	\$2,795,844
0	1,150	0	0	0	5,293
0	0	0	0	0	519,046
0	0	0	0	0	9,951
0	0	0	0	0	107,044
0	0	0	0	0	5,608
0	0	0	0	0	336,876
0	0	0	684,835	0	684,835
0	0	0	0	471,263	471,263
<u>\$4,819</u>	<u>\$247,407</u>	<u>\$260</u>	<u>\$684,835</u>	<u>\$471,263</u>	<u>\$4,935,760</u>
\$0	\$735	\$0	\$0	\$0	\$90,575
0	0	0	0	0	407,334
0	0	0	0	0	107,044
0	0	0	0	0	5,608
0	32	0	0	8,834	169,896
0	0	0	0	15,000	15,000
0	0	0	0	447,429	447,429
0	767	0	0	471,263	1,242,886
0	0	0	684,835	0	684,835
4,819	246,640	0	0	0	251,459
0	0	0	0	0	303,411
0	0	0	0	0	336,876
0	0	260	0	0	2,116,293
<u>4,819</u>	<u>246,640</u>	<u>260</u>	<u>684,835</u>	<u>0</u>	<u>3,692,874</u>
<u>\$4,819</u>	<u>\$247,407</u>	<u>\$260</u>	<u>\$684,835</u>	<u>\$471,263</u>	<u>\$4,935,760</u>

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MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Governmental</i>			<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>	
	General Fund	Special Revenue Funds	Capital Projects Funds	Expendable Trust Fund	
Revenues:					
Local Sources:					
Tuition	\$35,539	\$0	\$0	\$0	\$35,539
Investment Earnings	132,026	0	0	0	132,026
Intermediate Sources	0	18,778	0	0	18,778
Intergovernmental - State	3,800,527	1,376,431	372,127	0	5,549,085
Intergovernmental - Federal	0	802,973	0	0	802,973
All Other Revenues	166,767	0	0	5	166,772
Total Revenues	4,134,859	2,198,182	372,127	5	6,705,173
Expenditures:					
Current:					
Instruction	1,130,990	365,460	0	0	1,496,450
Supporting Services:					
Pupils	1,127,757	410,507	601,357	0	2,139,621
Instructional Staff	942,075	585,168	0	20,216	1,547,459
Board of Education	18,543	0	0	0	18,543
Administration	427,092	262,601	0	0	689,693
Fiscal Services	110,555	34,999	4,450	0	150,004
Operation and Maintenance of Plant	2,672	1,630	0	0	4,302
Pupil Transportation	6,862	2,080	0	0	8,942
Central	34,853	3,297	0	0	38,150
Community Services	0	3,731	0	0	3,731
Other Expenditures	0	212	0	0	212
Capital Outlay	35,000	0	0	0	35,000
Total Expenditures	3,836,399	1,669,685	605,807	20,216	6,132,107
Excess (Deficiency) of					
Revenues Over (Under) Expenditures	298,460	528,497	(233,680)	(20,211)	573,066
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	750	0	0	0	750
Proceeds from Installment Loan	35,000	0	0	0	35,000
Refund of Prior Year Expenditures	72,564	0	0	0	72,564
Refund of Prior Year Receipts	(68,930)	0	0	(57)	(68,987)
Pass Through Grant	0	(275,838)	0	0	(275,838)
Total Other Financing Sources (Uses)	39,384	(275,838)	0	(57)	(236,511)
Excess (Deficiency) of Revenues					
and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	337,844	252,659	(233,680)	(20,268)	336,555
Fund Balance Beginning of Year	1,459,252	522,794	417,451	20,528	2,420,025
Fund Balance End of Year	\$1,797,096	\$775,453	\$183,771	\$260	\$2,756,580

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

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Tuition	\$16,500	\$35,534	\$19,034	\$0	\$0	\$0
Investment Earnings	48,000	130,686	82,686	0	0	0
Intermediate Sources	0	0	0	17,858	18,778	920
Intergovernmental - State	3,824,040	3,800,527	(23,513)	1,462,206	1,473,706	11,500
Intergovernmental - Federal	0	0	0	911,981	762,188	(149,793)
All Other Revenues	271,976	221,032	(50,944)	0	0	0
Total Revenues	4,160,516	4,187,779	27,263	2,392,045	2,254,672	(137,373)
Expenditures:						
Current:						
Instruction	1,175,009	1,115,493	59,516	442,814	402,292	40,522
Supporting Services:						
Pupils	1,184,565	1,102,511	82,054	493,908	458,694	35,214
Instructional Staff	998,124	935,104	63,020	1,196,826	869,589	327,237
Board of Education	23,846	18,882	4,964	0	0	0
Administration	465,340	454,567	10,773	411,360	260,681	150,679
Fiscal Services	110,266	108,094	2,172	52,079	38,999	13,080
Operation and Maintenance of Plant	2,580	2,580	0	10,145	9,285	860
Pupil Transportation	12,350	9,606	2,744	2,230	2,230	0
Central	39,933	36,644	3,289	3,628	3,628	0
Community Services	0	0	0	10,979	3,731	7,248
Other Expenditures	0	0	0	212	212	0
Total Expenditures	4,012,013	3,783,481	228,532	2,624,181	2,049,341	574,840
Excess (Deficiency) of Revenues Over (Under) Expenditures	148,503	404,298	255,795	(232,136)	205,331	437,467
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	750	750	0	0	0
Refund of Prior Years' Expenditures	68,851	72,564	3,713	0	0	0
Refund of Prior Years' Receipts	(68,930)	(68,930)	0	0	0	0
Operating Transfers Out	(20,000)	0	20,000	0	0	0
Advances In	0	0	0	0	0	0
Advances Out	(107,044)	(107,044)	0	0	0	0
Pass Through Grant	0	0	0	(275,838)	(275,838)	0
Total Other Financing Sources (Uses)	(127,123)	(102,660)	24,463	(275,838)	(275,838)	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	21,380	301,638	280,258	(507,974)	(70,507)	437,467
Fund Balance at Beginning of Year	1,244,131	1,244,131	0	366,634	366,634	0
Prior Year Encumbrances	72,772	72,772	0	218,337	218,337	0
Fund Balance at End of Year	\$1,338,283	\$1,618,541	\$280,258	\$76,997	\$514,464	\$437,467

(Continued)

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

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1999

	<i>Capital Projects Funds</i>			<i>Totals (Memorandum Only)</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Tuition	\$0	\$0	\$0	\$16,500	\$35,534	\$19,034
Investment Earnings	0	0	0	48,000	130,686	82,686
Intermediate Sources	0	0	0	17,858	18,778	920
Intergovernmental - State	0	0	0	5,286,246	5,274,233	(12,013)
Intergovernmental - Federal	0	0	0	911,981	762,188	(149,793)
All Other Revenues	395,125	76,847	(318,278)	667,101	297,879	(369,222)
Total Revenues	395,125	76,847	(318,278)	6,947,686	6,519,298	(428,388)
Expenditures:						
Current:						
Instruction	0	0	0	1,617,823	1,517,785	100,038
Supporting Services:						
Pupils	0	0	0	1,678,473	1,561,205	117,268
Instructional Staff	809,372	613,796	195,576	3,004,322	2,418,489	585,833
Board of Education	0	0	0	23,846	18,882	4,964
Administration	0	0	0	876,700	715,248	161,452
Fiscal Services	14,579	4,450	10,129	176,924	151,543	25,381
Operation and Maintenance of Plant	0	0	0	12,725	11,865	860
Pupil Transportation	0	0	0	14,580	11,836	2,744
Central	0	0	0	43,561	40,272	3,289
Community Services	0	0	0	10,979	3,731	7,248
Other Expenditures	0	0	0	212	212	0
Total Expenditures	823,951	618,246	205,705	7,460,145	6,451,068	1,009,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	(428,826)	(541,399)	(112,573)	(512,459)	68,230	580,689
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	0	0	0	750	750
Refund of Prior Years' Expenditures	0	0	0	68,851	72,564	3,713
Refund of Prior Years' Receipts	0	0	0	(68,930)	(68,930)	0
Operating Transfers Out	0	0	0	(20,000)	0	20,000
Advances In	0	107,044	107,044	0	107,044	107,044
Advances Out	0	0	0	(107,044)	(107,044)	0
Pass Through Grant	0	0	0	(275,838)	(275,838)	0
Total Other Financing Sources (Uses)	0	107,044	107,044	(402,961)	(271,454)	131,507
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(428,826)	(434,355)	(5,529)	(915,420)	(203,224)	712,196
Fund Balance at Beginning of Year	(96,418)	(96,418)	0	1,514,347	1,514,347	0
Prior Year Encumbrances	525,244	525,244	0	816,353	816,353	0
Fund Balance at End of Year	\$0	(\$5,529)	(\$5,529)	\$1,415,280	\$2,127,476	\$712,196

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Enterprise Funds</i>	<i>Internal Service Funds</i>	<i>Totals (Memorandum Only)</i>
<u>Operating Revenues:</u>			
Tuition and Fees	\$0	\$6,315	\$6,315
Charges for Services	0	110,940	110,940
Other Operating Revenues	0	28,433	28,433
Total Operating Revenues	0	145,688	145,688
<u>Operating Expenses:</u>			
Salaries and Wages	0	11,909	11,909
Fringe Benefits	0	7,496	7,496
Contractual Services	0	55,108	55,108
Materials and Supplies	0	105,011	105,011
Total Operating Expenses	0	179,524	179,524
Operating Loss	0	(33,836)	(33,836)
<u>Non-Operating Revenues:</u>			
Investment Earnings	207	0	207
Total Non-Operating Revenues	207	0	207
Net Income	207	(33,836)	(33,629)
Retained Earnings at Beginning of Year	4,612	280,476	285,088
Retained Earnings at End of Year	\$4,819	\$246,640	\$251,459

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

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	<i>Enterprise Fund</i>	<i>Internal Service Funds</i>	<i>Totals (Memorandum Only)</i>
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Tuition and Fee Payments	\$0	\$6,315	\$6,315
Cash Received from Charges for Services	0	345,010	345,010
Cash Payments for Goods and Services	0	(160,601)	(160,601)
Cash Payments to Employees for Services and Benefits	0	(19,373)	(19,373)
Other Operating Revenues	0	27,283	27,283
Net Cash Provided by Operating Activities	<u>0</u>	<u>198,634</u>	<u>198,634</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Operating Grants Received	3,813	0	3,813
Net Cash Provided by Noncapital Financing Activities	<u>3,813</u>	<u>0</u>	<u>3,813</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	207	0	207
Net Cash Provided by Investing Activities	<u>207</u>	<u>0</u>	<u>207</u>
Net Increase in Cash and Cash Equivalents	4,020	198,634	202,654
Cash and Cash Equivalents at Beginning of Year	799	47,623	48,422
Cash and Cash Equivalents at End of Year	<u>\$4,819</u>	<u>\$246,257</u>	<u>\$251,076</u>
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:</u>			
Operating Loss	\$0	(\$33,836)	(\$33,836)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:			
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	0	(1,150)	(1,150)
Decrease in Intergovernmental Receivable	0	234,070	234,070
Decrease in Accounts Payable	0	(42)	(42)
Decrease in Due to Other Funds	0	(440)	(440)
Increase in Intergovernmental Payables	0	32	32
Total Adjustments	<u>0</u>	<u>232,470</u>	<u>232,470</u>
Net Cash Provided by Operating Activities	<u>\$0</u>	<u>\$198,634</u>	<u>\$198,634</u>

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

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Muskingum Valley Educational Service Center (the 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 Center is a local district as defined by Section 3311.05 of the Ohio Revised Code. The Center operates under an elected Board of Education of seven members and serves students and educators in Coshocton, Morgan and Muskingum Counties.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the Center (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the Center's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the Center. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the Center's reporting entity. Based on the foregoing, the reporting entity of the Center includes the following services: services to families and children, professional development and teacher support, technical assistance, curriculum services and operational support.

The Center is associated with the Ohio Mid-Eastern Regional Education Service Agency and the Ohio School Boards Association Workers' Compensation Group Rating Program, which are defined as a jointly governed organization and an insurance purchasing pool. These organizations are presented in Notes 15 and 16.

The accounting policies and financial reporting practices of the Center conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the Center:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the Center's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the Center's governmental fund types:

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

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

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings (net total assets).

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Center or to other governments on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Center maintains an expendable trust fund which is accounted for and reported similarly to a governmental fund.

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

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

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

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the Center is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue considered susceptible to accrual at year end includes tuition, grants and entitlements, student fees, and interest on investments.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Center follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

The Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are estimated resources and expenditures for each fund. Upon review by the 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 balances 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 Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Center. Part (C) includes the adopted appropriation resolution of the Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Center the amount from part (B) that is to be apportioned to their district.

1. Appropriations

The annual appropriation resolution is legally enacted by the Center at the fund, function and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Center. The appropriation resolution, by fund, must be within the estimated resources and the total expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Center. The Center may pass supplemental appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

2. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

4. Budgetary Basis of Accounting

The Center's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

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MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

4. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		
	General Fund	Special Revenue Funds	Capital Projects Funds
GAAP Basis (as reported)	\$337,844	\$252,659	(\$233,680)
Increase (Decrease):			
Accrued Revenues at June 30, 1999, received during FY 2000	(277,714)	(72,798)	(295,280)
Accrued Revenues at June 30, 1998, received during FY 1999	223,590	129,288	0
Accrued Expenditures at June 30, 1999, paid during FY 2000	539,140	120,207	111,509
Accrued Expenditures at June 30, 1998, paid during FY 1999	(418,186)	(191,465)	(11,375)
FY 1998 Prepaids for FY 1999	336,945	0	0
FY 1999 Prepaids for FY 2000	(336,876)	0	0
Encumbrances Outstanding	(103,105)	(308,398)	(5,529)
Budget Basis	\$301,638	(\$70,507)	(\$434,355)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of less than three months.

The Center pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, Cash, Cash Equivalents and Investments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the Center records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 3, Cash, Cash Equivalents and Investments.

G. Fixed Assets

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received. The Center does not possess any infrastructure.

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The Center has elected not to record depreciation in the General Fixed Assets Account Group.

H. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Intergovernmental Payable	General Fund
Compensated Absences	General Fund

I. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," sick leave benefits are accrued as a liability using the vesting method. Employees may earn 15 days of sick leave per year up to a maximum of one hundred and eighty (180) days for employees working one hundred eighty-two days (182), one hundred ninety-two (192) days for employees working one hundred ninety-two days (192), and two hundred and two (202) days for employees working two hundred and two (202) days. The maximum sick leave accumulation for all employees shall be two hundred and two (202) days. Upon retirement, employees will receive a maximum of forty (40)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences (Continued)

days for employees working one hundred and eighty-two (182) days and forty-five (45) days for those working one hundred and ninety-two (192) days. Additional compensation, to recognize extended service as a career professional, may be awarded by the Board equal to one (1) days per diem of the current base salary at the time of retirement for every year of service to the organization. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

J. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

K. Interfund Transactions

During the course of normal operations, the Center has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. There were no residual equity transfers during the fiscal year.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the Center are similarly treated when involving other funds of the Center.

L. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items and encumbered amounts which have not been accrued at year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Total Columns on Combined Financial Statements

Total columns on the "Combined Financial Statements" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. Intergovernmental Revenues

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

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Excellence in Education

Training Ohio's Parents for Success

Gifted Education

Educational Management Information Systems

Public School Preschool

School Net

Parent Mentor

Title I ESEA School Support Team Program

Drug Free Schools and Communities

Entry Year Programs

Preschool Grant for Children with Disabilities

Goals 2000

Learn and Serve America

Grants and entitlements amounted to approximately 93 percent of the Center's operating revenue during the 1999 fiscal year.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENTS

A. Change in Accounting Principle

The Internal Revenue Code previously required that Section 457 deferred compensation plan assets remain the property of the employer government until available to the employee or beneficiary. Under these regulations, plan assets were recorded in the City's deferred compensation agency fund.

Recent changes to the Internal Revenue Code require Section 457 plan assets to be held in trust for the exclusive benefit of the employees. These plans must establish trust agreements prior to January 1, 1999. During 1998, the Ohio Public Employees Deferred Compensation Program (the "Plan") implemented a Trust Agreement to hold all Plan assets for the employer, whenever contributed, for the exclusive benefit of participants and their beneficiaries. Accordingly, the Center has implemented GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" which requires that such assets held in trust, not be reflected on the government's financial statements. Inasmuch as the Center no longer has an accounting fiduciary responsibility for the deferred compensation assets, the beginning balance of the agency funds has been restated to show the reduction of \$111,734 representing the balance of deferred compensation at June 30, 1998. The adjustment resulted in the following changes to the agency funds asset/liability balances at June 30, 1998:

Agency Funds:

Asset/Liability Balance - June 30, 1998 (as reported)	\$111,734
Adjustment due to change in accounting principle	(111,734)
Asset/Liability Balance - June 30, 1998 (restated)	<u>\$0</u>

B. Prior Period Adjustments

The Telecommunity Appalachian Project member school district contribution portion of activity changed from the governmental fund type to the proprietary fund type accounting during the audit period. The change resulted in fund equity restatement. The fund equity of the Capital Projects Fund Type – Telecommunity Appalachian Project decreased by \$261,790 from \$679,241 to \$417,451. The decrease was due to an adjustment to the beginning balance of \$27,720 for funds received in the prior audit period that represented member school contributions and an adjustment for the prior year's Intergovernmental Receivable in the amount of \$234,070, which are now reflected in the Internal Service Fund Type – Rotary Fund.

The General Long Term Obligations Account Group account balance for compensated absences has been restated due to an error in the recording of accrued vacation and personal time. According to the Center's policy, vacation and personal time will not be paid upon separation from service from the Center. Additionally, per the policy, vacation leave is not permitted to be carried over from year to year. The correction of these errors resulted in a restatement in the amount of Compensated Absences Payable by reducing the beginning balance of \$398,086 by \$39,864 to arrive at the correct figure of \$358,222.

The General Fixed Asset Account Group balance has been restated to correct an error in the recording of fixed assets. The beginning balance was reduced by \$72,336 from \$670,291 to \$597,955 to correct this error.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the Center into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the Center. Such funds must be maintained either as cash in the Center Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Center places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3.

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the Center or by its agent in the Center's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the Center's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Center's name.

Investments:

- Category 1 Insured or registered, or securities held by the Center or its agent in the Center's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Center's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Center's name.

A. Deposits

At year end the carrying amount of the Center's deposits was an overdraft of \$334,795 and the bank balance was \$76,201. The Federal Deposit Insurance Corporation (FDIC) covered all \$76,201 of the bank balance.

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The Center's investments at June 30, 1999 are summarized below:

	<u>Category 2</u>	<u>Fair Value</u>
Categorized Investments		
Repurchase Agreements	<u>\$3,130,639</u>	<u>\$3,130,639</u>

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. All interest revenue was credited to the General Fund during fiscal year 1999 and amounted to \$132,026, which includes \$53,534 assigned from other Center funds.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$2,795,844	\$0
Investments:		
Repurchase Agreement	(3,130,639)	3,130,639
Per GASB Statement No. 3	<u>(\$334,795)</u>	<u>\$3,130,639</u>

NOTE 4 - RECEIVABLES

Receivables at June 30, 1999 consisted of interest, accounts receivable and intergovernmental receivables.

NOTE 5 – STATE FUNDING

The Center is funded by the State Department of Education for the cost of part (A) of their budget. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by \$29. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the Center approve, the cost of part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Center through additional reductions in their resources provided by the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school district's approve or disapprove the additional apportionment.

NOTE 6 - INTERFUND BALANCES

Individual interfund balances at June 30, 1999, are as follows:

A. Interfund Receivable And Payable

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$107,044	\$0
Capital Project Fund:		
Interactive Video Distance Learning Fund	0	107,044
Total Capital Project Fund	<u>0</u>	<u>107,044</u>
Totals	<u>\$107,044</u>	<u>\$107,044</u>

B. Due To/From Other Funds

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$5,608	\$0
Special Revenue Funds:		
School Net Professional Development Fund	0	5,000
Federal Grants Fund	0	608
Total Special Revenue Funds	<u>0</u>	<u>5,608</u>
Totals	<u>\$5,608</u>	<u>\$5,608</u>

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 7 - FIXED ASSETS

General Fixed Assets-Summary by category of changes in general fixed assets at June 30, 1999:

Class	June 30, 1998	Additions	Deletions	June 30, 1999
Land and Improvements	\$0	\$35,000	\$0	\$35,000
Buildings and Improvements	0	645	0	645
Machinery and Equipment	597,955	67,533	(16,298)	649,190
Totals	\$597,955	\$103,178	(\$16,298)	\$684,835

NOTE 8 - DEFINED BENEFIT PENSION PLANS

All of the Center's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the Center, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor 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. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for Center and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1998, (the latest information available) 9.02% was allocated to fund the pension and 4.98% to fund health care. The Center's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$85,897, \$36,318, and \$34,801, respectively, which were equal to the required contributions for each year.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System of Ohio (SERS of Ohio) (Continued)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$22,705.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million, at cost.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the Center are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing multiple employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for Center and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the Center are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The Center's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$355,552, \$280,305, and \$266,507, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll. For the fiscal year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

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 had an option to choose between the two pension plans and social security. As of June 30, 1998, two members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 9 - COMPENSATED ABSENCES

The Center provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1999, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>
Liability	\$447,429

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MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999

NOTE 10 - GENERAL LONG-TERM DEBT AND OTHER GENERAL LONG-TERM OBLIGATIONS

Activity in the General Long-Term Obligations Account Group during fiscal year 1999 was as follows:

	Balance June 30, 1998	Issued (Retired)	Balance June 30, 1999
General Long-Term Debt:			
(Installment Loan)			
Land Contract	\$0	\$35,000	
		(20,000)	15,000
Total General Long-Term Debt	<u>0</u>	<u>15,000</u>	<u>15,000</u>
Other General Long-Term Obligations:			
Intergovernmental Payable	12,119	(3,285)	8,834
Compensated Absences	358,222	89,207	447,429
Total Other General Long-Term Obligations	<u>370,341</u>	<u>85,922</u>	<u>456,263</u>
Total General Long-Term Debt and Other General Long-Term Obligations	<u>\$370,341</u>	<u>\$100,922</u>	<u>\$471,263</u>

Principal payments will be made annually on the zero-interest installment loan until April 2009.

NOTE 11 - OPERATING LEASE

The Center is obligated under an operating lease to Muskingum County for the rental of office space for a period of twenty years. The Center paid to the County half of the lease obligation (\$400,000) in December of 1996. The next scheduled payment is due in January of 2008. The operating lease does not give rise to property rights or lease obligations, and therefore the results of the lease agreement are not reflected in the Center's account groups. The following is a schedule by years of future minimum rental payments required under the operating lease that have remaining noncancelable lease terms in excess of one year as of June 30, 1999:

Fiscal Year Ending June 30,	Amounts
2008	\$19,640
2009	42,960
2010	42,960
2011	42,960
2012	44,460
2013-2017	207,020
Total Minimum Payments	<u>\$400,000</u>

NOTE 12 - RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; injuries to employees and natural disasters. During fiscal year 1999 the Center contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Nationwide/Wausau	School District Liability	\$0
Nationwide/Wausau	Automobile	\$0
Nationwide/Wausau	Commercial Property and Machinery	\$500

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

For fiscal year 1999, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - CONTINGENCIES

A. Grants

The Center receives financial assistance from federal and state agencies in the form of grants. The disbursement 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 Center at June 30, 1999.

B. Litigation

The Center is currently not party to any litigation.

NOTE 13 – CONTINGENCIES (Continued)

C. State School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the Center. During the fiscal year ended June 30, 1999, the Center received \$3,408,515 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 14 – 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 statutes. OME-RESA has 11 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble and Tuscarawas Counties. OME-RESA is governed by a governing board which is selected by member districts. OME-RESA possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Mid-Eastern Regional Education Service Agency, Attn: Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 15 – INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan – The 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 pay an enrollment fee to the GRP to cover the cost of administering the program.

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
JUNE 30, 1999

General Fixed Assets

Land and Improvements	\$35,000
Buildings	645
Machinery and Equipment	649,190
	<hr/>
Total General Fixed Assets	<u>\$684,835</u>

Investment in General Fixed Assets from:

Acquisitions Prior to Start-up (August 1995)	\$190,651
General Fund	279,604
Special Revenue Fund	103,514
Capital Projects Funds	3,573
Grants	40,001
Capital Lease	35,000
Fiduciary Funds	32,492
	<hr/>
Total Investment in General Fixed Assets	<u>\$684,835</u>

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
 SCHEDULE OF GENERAL FIXED ASSETS
 BY CATEGORY
 JUNE 30, 1999

Function and Activity	Land	Buildings	Machinery and Equipment	Total
Instruction	\$0	\$645	\$103,008	\$103,653
Support Services:				
Pupils	0	0	54,667	54,667
Instructional Staff	0	0	187,435	187,435
Board of Education	0	0	1,240	1,240
Administration	35,000	0	274,508	309,508
Fiscal Services	0	0	25,795	25,795
Central Services	0	0	2,537	2,537
Total General Fixed Assets	<u>\$35,000</u>	<u>\$645</u>	<u>\$649,190</u>	<u>\$684,835</u>

MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER, OHIO
 SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
 BY FUNCTION AND ACTIVITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Function and Activity	June 30, 1998	Additions	Deletions	June 30, 1999
Instruction	\$90,355	\$13,298	\$0	\$103,653
Support Services:				
Pupils	54,048	619	0	54,667
Instructional Staff	178,048	25,685	(16,298)	187,435
Board of Education	1,240	0	0	1,240
Administration	245,932	63,576	0	309,508
Fiscal Services	25,795	0	0	25,795
Central Service	2,537	0	0	2,537
Total General Fixed Assets	<u>\$597,955</u>	<u>\$103,178</u>	<u>(\$16,298)</u>	<u>\$684,835</u>

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

Agency/Program/Grant	Pass Through Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. Department of Education</u> (Passed through State Department of Education)				
Title I	C1-SP-98 P	84.010	\$-	\$5,490
	C1-SP-99 P	84.010	150,000	143,512
	C1-ST-98 P	84.010	17,549	79,310
	C1-ST-99 P	84.010	<u>156,600</u>	<u>127,475</u>
Total Title I			324,149	355,787
Special Education Cluster:				
Special Education Grants to States (IDEA Part B- Title VI-B)	6B-PM-98 P	84.027	-	6,899
	6B-PM-99	84.027	<u>22,500</u>	<u>20,179</u>
Total Title VI-B			22,500	27,078
Special Education - Preschool Grants	PG-S1-98 P	84.173	-	14,425
	PG-S1-99 P	84.173	<u>48,824</u>	<u>36,583</u>
Total Preschool Grants			<u>48,824</u>	<u>51,008</u>
Total Special Education Cluster			71,324	78,086
Goals 2000	G2-S3-97 C	84.276	-	154,209
	G2-S3-99 P	84.276	130,000	103,478
	G2-S3-99	84.276	40,000	5,400
	G2-S3-98 P	84.276	<u>(76,997)</u>	<u>20,818</u>
Total Goals 2000			93,003	283,905
Technology Literacy Challenge Funds Grant		84.318	6,500	6,500

(Continued on next page)

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

Agency/Program/Grant	Pass Through Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. Department of Education (Passed through State Department of Education)</u> (Continued)				
Comprehensive School Reform Demonstration Grant	RF-A1 99	84.332	\$174,000	\$100,699
<i>Drug Free Education</i>	DR-S1 97 C (Coshocton)	84.186	-	589
	DR-S1 98 (Coshocton)	84.186	6,970	18,353
	DR-S1 98 C (Coshocton)	84.186	-	1,810
	DR-S1 98 C (Muskingum)	84.186	7,493	7,493
	DR-S1 98 (Muskingum)	84.186	-	26,953
	DR-S1 99	84.186	<u>85,248</u>	<u>55,858</u>
Total Drug Free Education			<u>99,711</u>	<u>111,056</u>
Total U.S. Department of Education			768,687	936,033
<u>Corporation for National and Community Service (Passed Through State Department of Education)</u>				
Learn and Serve America - School and Community Grant	SV-S4 98	94.004	-	<u>222</u>
Total Corporation for National and Community Service			-	222
<u>U.S. Department of Agriculture (Passed Through State Department of Education)</u>				
Child and Adult Food Care Program	16-CC-00	10.558	209	-
	21-ML 00	10.558	<u>3,604</u>	-
Total Child and Adult Food Care Program			<u>3,813</u>	-
Total U.S. Department of Agriculture			3,813	-
<u>U.S. Department of Labor (Passed Through State Department of Education)</u>				
School to Work Program	N/A	17.249	<u>57,500</u>	<u>57,500</u>
Total U.S. Department of Labor			<u>57,500</u>	<u>57,500</u>
Total Federal Awards Receipts and Expenditures			<u>\$830,000</u>	<u>\$993,755</u>

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures is a summary of the Service Center's federal award programs. The Schedule has been prepared on the cash basis of accounting.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To the Board of Education:

We have audited the general purpose financial statements of Muskingum Valley Educational Service Center, Muskingum County, Ohio, (the Service Center) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 8, 2000, in which we indicated the Service Center changed its method of accounting for deferred compensation and changed the fund type classification for certain fund activity. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 a certain immaterial instance of noncompliance that we have reported to management of the Service Center in a separate letter dated March 8, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Service Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 1999-11060-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Service Center in a separate letter dated March 8, 2000.

Muskingum Valley Educational Service Center
Muskingum County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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



Jim Petro
Auditor of State
March 8, 2000



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

Muskingum Valley Educational Service Center
Muskingum County
205 North Seventh Street
Zanesville, Ohio 43701

To Members of the Board:

Compliance

We have audited the compliance of Muskingum Valley Educational Service Center, Muskingum County, Ohio (the Service Center), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The Service Center's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Service Center's management. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Service Center's compliance with those requirements.

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Service Center in a separate letter dated March 8, 2000.

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



Jim Petro
Auditor of State
March 8, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Goals 2000; CFDA #84.276
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

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

Finding Number	1999-11060-001
-----------------------	-----------------------

The Educational Service Center's fixed asset policy did not require a periodic confirmation of fixed assets. By performing a periodic physical inspection of fixed assets, Service Center personnel may be able to identify noncompliance with Board policy and weaknesses in the Service Center's accounting system or control procedures. The Service Center's policy, dated April 22, 1996, did require the use of Transfer of Asset and Asset Disposal Worksheets.

Our review of fixed asset items indicated the following:

1. The location of several assets was not correctly reflected on the fixed assets listing. These results suggest that a Transfer of Asset Worksheet had not been completed, although required by Service Center policy.
2. In four percent of the fixed assets reviewed, assets which had been disposed of were still carried on the fixed asset listing. These results suggest that an Asset Disposal Worksheet had not been completed, although required by Center policy.

As a result of our testing, Service Center management reviewed locations of certain assets to verify their existence and confirmed the disposal of other assets.

We recommend management adopt a fixed asset policy that requires an annual physical inspection of those fixed assets of a portable nature which may be subject to "unauthorized removal". The results of the physical inspection should then be compared to the fixed asset listing to investigate differences and update the listing as appropriate.

3. FINDINGS FOR FEDERAL AWARDS

None.

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-11060-001	Management has distributed fixed asset listings to be updated by Service Center personnel to reflect the current location and condition of fixed assets. Fixed asset listings will be updated annually.	As of the date of this report, management had implemented this procedure.	Christine Wagner, Treasurer



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MUSKINGUM VALLEY EDUCATIONAL SERVICE CENTER
MUSKINGUM 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.

By Susan Babbitt

Date: APRIL 20, 2000