

**TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER**

**CANTON/AKRON REGION, TUSCARAWAS COUNTY**

**SINGLE AUDIT**

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

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## REPORT OF INDEPENDENT ACCOUNTANTS

Governing Board  
Tuscarawas County Educational Service Center  
172 North Broadway  
New Philadelphia, Ohio 44663

To the Governing Board:

We have audited the accompanying general purpose financial statements of the Tuscarawas County Educational Service Center (Educational 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 Educational Service Center's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 Tuscarawas County Educational Service Center, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000 on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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.



Jim Petro  
Auditor of State

January 14, 2000

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# Tuscarawas County Educational Service Center

*Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1999*

	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue	Agency
<b>Assets and Other Debit</b>			
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$665,548	\$128,360	\$141,105
Receivables:			
Accounts	395	0	0
Intergovernmental	56,954	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0
<b>Other Debit</b>			
Amount to be Provided from General Government Resources	0	0	0
<b>Total Assets and Other Debit</b>	<b>\$722,897</b>	<b>\$128,360</b>	<b>\$141,105</b>
<b>Liabilities, Fund Equity and Other Credits</b>			
<b>Liabilities</b>			
Accounts Payable	\$872	\$0	\$0
Accrued Wages	144,200	2,094	0
Compensated Absences Payable	1,560	0	0
Undistributed Monies	0	0	141,105
Intergovernmental Payable	184,867	243	0
<b>Total Liabilities</b>	<b>331,499</b>	<b>2,337</b>	<b>141,105</b>
<b>Fund Equity and Other Credits</b>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	11,671	977	0
Unreserved, Undesignated	379,727	125,046	0
<b>Total Fund Equity and Other Credits</b>	<b>391,398</b>	<b>126,023</b>	<b>0</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$722,897</b>	<b>\$128,360</b>	<b>\$141,105</b>

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

Account Groups		
General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
\$0	\$0	\$935,013
0	0	395
0	0	56,954
187,488	0	187,488
0	84,816	84,816
<u>\$187,488</u>	<u>\$84,816</u>	<u>\$1,264,666</u>
\$0	\$0	\$872
0	0	146,294
0	77,303	78,863
0	0	141,105
0	7,513	192,623
0	84,816	559,757
187,488	0	187,488
0	0	12,648
0	0	504,773
<u>187,488</u>	<u>0</u>	<u>704,909</u>
<u>\$187,488</u>	<u>\$84,816</u>	<u>\$1,264,666</u>

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# Tuscarawas County Educational Service Center

*Combined Statement of Revenues, Expenditures*

*and Changes in Fund Balances*

*All Governmental Fund Types*

*For the Fiscal Year Ended June 30, 1999*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Revenues</b>			
Intergovernmental	\$1,572,291	\$417,874	\$1,990,165
Customer Services	399,877	0	399,877
Tuition and Fees	20,320	0	20,320
Interest	33,908	0	33,908
<i>Total Revenues</i>	<i>2,026,396</i>	<i>417,874</i>	<i>2,444,270</i>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	59,918	25,457	85,375
Special	393,078	64,322	457,400
Other	320	0	320
Support Services:			
Pupils	538,432	94,182	632,614
Instructional Staff	450,545	94,172	544,717
Board of Education	16,599	0	16,599
Administration	179,420	73,371	252,791
Fiscal	85,670	0	85,670
Business	129,224	0	129,224
Operation and Maintenance of Plant	5,875	0	5,875
Central	86,069	3,000	89,069
<i>Total Expenditures</i>	<i>1,945,150</i>	<i>354,504</i>	<i>2,299,654</i>
<i>Excess of Revenues Over Expenditures</i>	<i>81,246</i>	<i>63,370</i>	<i>144,616</i>
<i>Fund Balances Beginning of Year</i>	<i>310,152</i>	<i>62,653</i>	<i>372,805</i>
<i>Fund Balances End of Year</i>	<i>\$391,398</i>	<i>\$126,023</i>	<i>\$517,421</i>

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

**Tuscarawas County Educational Service Center**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances - Budget (Budgetary Basis) and Actual  
All Governmental Fund Types  
For the Year Ended June 30, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Intergovernmental	\$1,563,818	\$1,563,818	\$0
Customer Services	400,367	400,367	0
Tuition and Fees	20,320	20,320	0
Interest	33,908	33,908	0
<i>Total Revenues</i>	<u>2,018,413</u>	<u>2,018,413</u>	<u>0</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	62,932	62,932	0
Special	423,185	423,185	0
Support Services:			
Pupils	583,874	583,874	0
Instructional Staff	495,286	495,286	0
Board of Education	16,559	16,559	0
Administration	197,588	197,588	0
Fiscal	84,350	84,350	0
Business	129,476	129,476	0
Operation and Maintenance of Plant	6,954	6,954	0
Central	102,742	102,742	0
<i>Total Expenditures</i>	<u>2,102,946</u>	<u>2,102,946</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(84,533)	(84,533)	0
<i>Sources Under Expenditures and</i>			
<i>Other Financing Uses</i>	(84,533)	(84,533)	0
<i>Fund Balances Beginning of Year</i>	455,123	455,123	0
<i>Prior Year Encumbrances Appropriated</i>	<u>137,481</u>	<u>137,481</u>	<u>0</u>
<i>Fund Balances End of Year</i>	<u>\$508,071</u>	<u>\$508,071</u>	<u>\$0</u>

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

Special Revenue Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$530,547	\$417,875	(\$112,672)	\$2,094,365	\$1,981,693	(\$112,672)
0	0	0	400,367	400,367	0
0	0	0	20,320	20,320	0
0	0	0	33,908	33,908	0
<u>530,547</u>	<u>417,875</u>	<u>(112,672)</u>	<u>2,548,960</u>	<u>2,436,288</u>	<u>(112,672)</u>
43,095	25,457	17,638	106,027	88,389	17,638
68,470	67,363	1,107	491,655	490,548	1,107
104,876	94,271	10,604	688,750	678,145	10,604
120,539	98,636	21,903	615,825	593,922	21,903
0	0	0	16,559	16,559	0
105,055	78,684	26,372	302,643	276,272	26,372
4,363	0	4,363	88,713	84,350	4,363
0	0	0	129,476	129,476	0
0	0	0	6,954	6,954	0
3,000	3,000	0	105,742	105,742	0
<u>449,399</u>	<u>367,411</u>	<u>81,987</u>	<u>2,552,344</u>	<u>2,470,357</u>	<u>81,987</u>
81,149	50,464	(30,685)	(3,384)	(34,069)	(30,685)
81,149	50,464	(30,685)	(3,384)	(34,069)	(30,685)
61,189	61,189	0	516,312	516,312	0
5,663	5,663	0	143,144	143,144	0
<u>\$148,001</u>	<u>\$117,316</u>	<u>(\$30,685)</u>	<u>\$656,072</u>	<u>\$625,387</u>	<u>(\$30,685)</u>

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 1 - Description of the Educational Service Center and Reporting Entity**

The Tuscarawas County Educational Service Center (Educational Service Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed it by the constitution and laws of the State of Ohio and as defined by Section 3313.01 of the Ohio Revised Code. The Educational Service Center supplies supervisory, administrative and other needed services to participating school districts.

The Educational Service Center operates under a locally elected five-member Governing Board form of government, and provides educational services as mandated by State or Federal agencies. The Governing Board controls the Educational Service Center's instructional/support facilities which are staffed by 12 non-certificated, 28 certificated teaching personnel, and 2 administrators who provide services to 12,060 students and other community members.

*Reporting Entity*

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service Center. For the Educational Service Center, this includes all funds and activities whose primary purpose is providing necessary services to area school districts.

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

The Educational Service Center is associated with one jointly governed organization, one Insurance Purchasing Pool, and one Risk Sharing Pool. These organizations include the Ohio Mid-Eastern Regional Educational Service Agency, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Tuscarawas-Conotton Valley School Benefit Trust Health Consortium which are presented in Note 7 to the general purpose financial statements.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

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**Note 2 - Summary of Significant Accounting Policies**

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

A. *Basis of Presentation - Fund Accounting*

The Educational Service Center uses funds and account groups to report on 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 related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the Educational Service Center are grouped into the following generic fund types under the broad fund categories governmental 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 and the related current liabilities are accounted for through governmental funds. The following are the Educational Service Center's governmental fund types:

General Fund - The general fund is the 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 the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, non-expendable trust, and agency funds. The Educational Service Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

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

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

*B. Measurement Focus and Basis of Accounting*

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

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

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

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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

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

C. *Budgetary Data*

The budgetary process is prescribed by provisions of the Ohio Revised Code. Annually, on or before a date designated by the State Board of Education, the Educational Service Center prepares a budget of operating expenditures for the ensuing year on forms prepared and furnished by the State Board of Education and certifies the budget to the State Board of Education, together with such other information as the Board may require. The budget consists of two parts. Part (A) includes the cost of the salaries, employer's retirement contributions and travel costs of supervisory teachers approved by the State Board of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center.

Estimated Resources:

After the start of the fiscal year, estimated resources are revised to include any unencumbered balances from the preceding fiscal year. The revised estimated resources represents the maximum amount that may be appropriated from each fund. Estimated resources may be further amended during the year as projected increases or decreases in revenue are identified by the Treasurer or additional grant programs are approved by the Governing Board.

Appropriations:

The Annual Appropriation Resolution is legally enacted by the Governing Board 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 Governing Board may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The Appropriation Resolution, by fund, must be within the estimated resources and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Governing Board. The Governing Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Board of Education. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. For the General Fund, the appropriations equaled expenditures. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

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Encumbrances:

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

Lapsing of Appropriations:

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

D. *Cash and Cash Equivalents*

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool or temporarily used to purchase short term investments. Individual fund integrity is maintained through the Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to certificates of deposits. These nonparticipating investment contracts are reported at cost. Investment procedures are restricted by provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during Fiscal Year 1999 amounted to \$33,909 which includes \$9,772 assigned from other Educational Service Center Funds.

For purposes of the combined balance sheet, 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 considered to be cash equivalents.

E. *Inventory*

Inventories of governmental funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. The inventory balance at June 30, 1999, was not material and is not presented on the general purpose financial statements.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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*F. Fixed Assets and Depreciation*

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the General Fixed Assets Account Group. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Educational Service Center's capitalization threshold is five hundred dollars. The Educational Service Center does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets are also not capitalized. Assets in the General Fixed Assets Account Group are not depreciated.

*G. Intergovernmental Revenues*

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Martha Holden Jennings

East Ohio Gas Excellence Award

School Age Child Care

Training Ohio Parents for Success

Management Information System

Special Education Transitional Funding

Dwight D. Eisenhower

Drug Free Schools

Handicapped Preschool

Continuous Improvement Facilitator's Grant

Reimbursable Grants

CAFS Program

Grants and entitlements amounted to 81 percent of the Educational Service Center's revenue during the 1999 fiscal year.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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*H. Pass-Through Grants*

The Educational Service Center is the primary recipient of grants which are passed-through to or spent on behalf of the local school districts within the county. When the Educational Service Center has a financial or administrative role in grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. Grants in which the Educational Service Center has no financial or administrative role and are passed-through to the local districts in the county are reported as an agency fund.

*I. Compensated Absences*

The Educational Service Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for those eligible employees with more than one year of service.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the General Long-Term Obligations Account Group.

*J. Accrued Liabilities and Long-term Obligations*

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions are reported as a liability in the General Long-Term Obligation Account Group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources.

*K. Interfund Transactions*

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

*L. Fund Balance Reserves*

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

*M. Estimates*

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

*N. Total Columns on General Purpose Financial Statements*

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

**Note 3 - Budgetary Basis of Accounting**

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance on the basis of GAAP, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Budgetary basis) and Actual, All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Excess of Revenues Over (Under) Expenditures All Governmental Fund Types	
	General	Special
GAAP Basis	\$ 81,246	\$ 63,370
Net Adjustments for Revenue Accruals	( 7,983)	-0-
Net Adjustments for Expenditure Accruals	( 320)	( 1,863)
Adjustment for Encumbrances	( 157,476)	( 11,044)
Budget Basis	<u>(\$ 84,533)</u>	<u>\$ 50,464</u>

**Note 4 - Deposits and Investments**

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

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

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

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

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

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentally, 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 issuance's of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classification by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation or transfer from the custodian.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments,(including Repurchase Agreements) and Reverse Repurchase Agreements."

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

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Deposits:

At fiscal year-end, the carrying amount of the Educational Service Center's deposits was \$935,013 and the bank balance was \$1,062,499. Of the bank balance, \$100,000, was covered by federal depository insurance and \$962,499 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Educational Service Center to a successful claim by the FDIC.

**Note 5 - Receivables**

Receivables at June 30, 1999 consisted of accounts (customer services, intergovernmental receivables) and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current year guarantee of federal funds. The General Fund had an intergovernmental receivable for \$56,954 for customer services at June 30, 1999.

**Note 6 - State Funding**

The Educational Service Center is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education from the participating school districts to which the Educational Service Center provides services from payments made under the State's foundation program. Simultaneously, \$34.00 dollars times the sum of the ADM is paid by the State Board of Education from State funds to the Educational Service Center.

If additional funding is required and if a majority of the boards of education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$40.50 times the ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their state foundation. The State Board of Education initiates and supervises the procedure by which the participating boards approve or disapprove the apportionment.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 7 - Jointly Governed Organization/Insurance Purchasing Pool/Public Entity  
Risk Pool**

**A. Jointly Governed Organization**

The *Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA)* is a jointly governed organization created as a regional council of governments pursuant to State statutes. OME-RESA provides financial accounting services, an educational management information system, cooperative purchase services, and legal services to member districts. OME-RESA has eleven participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Muskingum, Noble, and Tuscarawas Counties. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school districts. The Jefferson County Educational Service Center office serves as the fiscal agent and receives funding from the State Department of Education. The continued existence of OME-RESA is not dependent on the School District's continued participation and no equity interest exists. OME-RESA has no outstanding debt. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Deborah Campana, who serves as Treasurer, Steubenville, Ohio 43952.

**B. Insurance Purchasing Pool**

The *Ohio School Boards Association Worker's Compensation Group Rating Plan* - the Educational Service Center participates in a group rating plan (GRP) for workers' compensation as established under section 4123.29 of the Ohio Revised Code. GRP was established through the OSBA as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**C. Risk Sharing Pool**

The Tuscarawas-Conotton Valley Local School Benefit Trust Health Consortium (the Trust) is a public entity shared risk pool consisting of one local school district and two County Educational Service Centers. The trust is organized as a Voluntary Employee Benefit Association under Section 501 (c) (9) of the Internal Revenue Code and provides sick, and in some cases, dental, vision, and prescription drug benefits to the employees of the participating entities. Each participating entity Superintendent is appointed to an Administrative Committee which advises the Third-Party Administrator, Coresource Insurance, concerning aspects of the administration of the Trust.

Each entity decides which plans offered by the Trustees will be extended to its employees. Tuscarawas County ESC participates in the health care benefits only. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from CoreSource, Inc., 229 Huber Village Blvd., Westerville, OH 43081.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 8 - Fixed Assets**

A summary of the changes in general fixed assets during fiscal year 1999 is as follows:

	Balance 7/1/98	Additions	Deletions	Balance 6/30/99
Furniture and Equipment	\$ 185,384	\$ 2,104	\$0	\$ 187,488

**Note 9 - Risk Management**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the Educational Center contracted with Westfield Insurance Company for commercial property insurance with a \$265,000 single occurrence limit and a \$100 deductible limit per year.

Professional liability is provided by the Nationwide Insurance Company with a \$5,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible. Driver's Education vehicles are covered by State Farm Insurance Company and hold a \$50 deductible for comprehensive and a \$250 deductible for collision. Bodily Injury/Property Damage liability has a \$500,000 per person/\$1,000,000 per accident and \$500,000 Property Damage liability per accident with a \$25,000 limit per person liability for medical payment. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Workers' Compensation**

For fiscal year 1999, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 7). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 and educational service centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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C. Health Care Benefits

The Educational Service Center provides life insurance and accidental death and dismemberment insurance for all full-time employees through the Great American Reserve Insurance Company, administered by CoreSource Insurance Company, in the amount of \$20,000 per employee. The Educational Service Center has elected to provide health care benefits to employees and administrators through the Tuscarawas-Conotton Valley Local Schools Benefit Trust Health Consortium. The employees share the cost of the monthly premium with the Board.

**Note 10 - Defined Benefit Pension Plan**

A. *School Employees Retirement System (SERS)*

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefits 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Educational Service Center's contributions for pension obligations to SERS for the years ended June 30, 1999, 1998, and 1997 were \$24,768, \$31,490, and \$32,781, respectively. One hundred percent (100%) has been contributed for fiscal years 1999, 1998, and 1997.

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

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

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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For fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$84,886, \$138,525, and \$140,258, respectively. One hundred percent (100%) has been contributed for fiscal years 1998 and 1997; fiscal year 1999 contributions were paid in full in August 1999. The unpaid portion of \$169,490 is recorded as a liability within the respective funds.

*C. Social Security System*

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose social security or SERS/STRS. As of June 30, 1999, two of the Governing Board members have chosen social security. The board's liability is 6.2 percent of wages paid.

**Note 11 - Post Employment Benefits**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certificated employees and their dependents through 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 STRS and SERS, systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the Educational Service Center this amount equaled \$84,886 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health costs paid by STRS were \$219,224,000 and STRS had 91,999 statewide eligible benefit recipients.

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

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

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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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$20,398.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 statewide participants currently receiving health care benefits.

**Note 12 - Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from Governing Board actions and State laws. Full-time certificated and classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated vacation time is paid to eligible employees upon termination of employment. Certificated employees who do not work 12 months are not entitled to vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a total of 180 days. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 45 days. Any employee receiving such payment must meet the retirement provisions set by STRS or SERS. At June 30, 1999, the compensated absences balance in the General Long-Term Obligations Account Group was \$77,303, an increase of \$5,719 from June 30, 1998.

**Note 13 - State School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to the Educational Service Center. For the fiscal year ended June 30, 1999, the Educational Service Center received \$2,557,815 in school foundation support for its General Fund.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER

*Notes to the General Purpose Financial Statements*

*For the Fiscal Year Ended June 30, 1999*

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

**Note 14 - Contingencies**

**A. Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of entitlements and 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 would not have a material effect on the overall financial position of the Educational Service Center.

**B. Litigation**

The Educational Service Center is not party to any legal proceedings.

**Note 15 - Year 2000 Issue**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

As of June 30, 1999, the Tuscarawas County ESC has completed an inventory of computer systems and other equipment necessary to conducting ESC operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting through the State's Educational management and Information System (EMIS).

The ESC uses the State of Ohio Uniform Accounting System software for its financial reporting; the State of Ohio Uniform Payroll System Software for its payroll and employee benefits. The State is responsible for remediating these systems.

TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
*Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1999*

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The Northwest Ohio Computer Association, State Software Development Team states,

"The Payroll Processing Software supported with OECN State Software is compliant with the Year 2000, beginning with the September 1997 release of USPS V4.0.

The Accounting Software supported with the OECN State Software will be compliant with the Year 2000, beginning with the June 1998 release of USAS V6.1.

The Equipment Inventory and Vehicle Inventory System software supported with OECN State software will be compliant with the Year 2000, beginning with the December 1998 release of SAAS V2.0.

The Educational Management Information System software supported with the OECN State Software will be compliant with the Year 2000, beginning with the September 1998 release of EMIS V1.7."

The State of Ohio distributes a substantial sum of money to the ESC in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the ESC through EMIS. The State is responsible for remediating these systems, and is solely responsible for any costs associated with the Foundation Processing and EMIS systems.

To the best of management's knowledge and belief, as of January 14, 2000, the Educational Service Center experienced no interruption of operations or services related to the Year 2000 issue.

**TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER  
TUSCARAWAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
For The Year Ended June 30, 1999**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Title VI-B - Assistance to States Education	050260-6B-SF-99P	84.027	\$476,819	\$415,505
	050260-6B-SI-98		129,657	251,708
	050260-6B-SI-98		0	26,250
Handicapped Preschool Grant				
	050260-PG-SI-98P	84.173	0	6,794
	050260-PG-SI-99P		35,359	35,134
	050260-PG-S7-98		0	1,391
	050260-PG-S3-98P		0	28,544
	050260-PG-S3-99		42,600	40,116
	050260-PG-S3-99P		10,000	9,749
Total U.S. Department of Education - Special Education Cluster			694,435	815,191
Dwight D. Eisenhower Grant (Education for Economic Security)				
	050260-MS-S1-97	84.281	0	1,727
	050260-MS-S1-98		0	10,632
	050260-MS-S1-99		21,500	13,739
			21,500	26,098
Drug Free Schools Grant				
	050260-DR-S1-98	84.186	11,101	17,161
	050260-DR-S1-99		16,025	8,289
			27,126	25,450
School Year Training Grant				
	050260-PD-A1-98	84.029	0	4,336
Continuous Improvement Grant				
	50260-G2-S1-99	84.276	100,000	0
Total			\$843,061	\$871,075

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor  
Canton, Ohio 44702

Telephone 330-438-0617  
800-443-9272

Facsimile 330-471-0001

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

Governing Board  
Tuscarawas County Educational Service Center  
172 North Broadway  
New Philadelphia, Ohio 44663

To the Governing Board:

We have audited the general purpose financial statements of the Tuscarawas County Educational Service Center (Educational Service Center) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. 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 Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the Educational Service Center in a separate letter dated January 14, 2000.

This report is intended for the information and use of management, the Governing Board, 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 Petto**  
Auditor of State

January 14, 2000



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

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

Governing Board  
Tuscarawas County Educational Service Center  
172 North Broadway  
New Philadelphia, Ohio 44663

To The Governing Board:

**Compliance**

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

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

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

**Internal Control Over Compliance**

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

Tuscarawas County Educational Service Center  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and Internal Control over  
Compliance in Accordance with OMB Circular A-133  
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Jim Petro  
Auditor of State

January 14, 2000

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

**JUNE 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants Cluster: Title VI-B, CFDA #84.027, Preschool Grants, CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

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

None



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OFFICE OF THE AUDITOR  
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TUSCARAWAS COUNTY EDUCATIONAL SERVICE CENTER,  
TUSCARAWAS 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  
Clerk of the Bureau

Date: FEB 08 2000