



**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Belmont County Educational Service Center
Belmont County
410 Fox Shannon Place
St. Clairsville, Ohio 43950

To Members of the Board:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Belmont County Educational Service Center, Belmont County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2001, the Educational Service Center adopted Governmental Accounting Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2002, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the Educational Service Center, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for 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. We subjected this information 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 2, 2002

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Belmont County Educational Service Center
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Internal Service
<u>Assets and Other Debit:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$277,012	\$75,711	\$0
Cash and Cash Equivalents with Fiscal Agents	0	0	58,172
<u>Receivables:</u>			
Intergovernmental	259,769	6,500	0
Accrued Interest	458	0	0
Prepaid Items	23,440	0	0
Fixed Assets	0	0	0
<u>Other Debit:</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debit	\$560,679	\$82,211	\$58,172
<u>Liabilities:</u>			
Accounts Payable	\$11,873	\$557	\$0
Accrued Wages and Benefits	193,991	523	0
Compensated Absences Payable	3,159	0	0
Intergovernmental Payable	28,352	251	0
Deferred Revenue	122,008	6,500	0
Claims Payable	0	0	4,793
Total Liabilities	359,383	7,831	4,793
<u>Fund Equity and Other Credit:</u>			
Investment in General Fixed Assets	0	0	0
<u>Retained Earnings:</u>			
Unreserved	0	0	53,379
<u>Fund Balance:</u>			
Reserved for Encumbrances	4,998	4,744	0
Unreserved, Undesignated	196,298	69,636	0
Total Fund Equity and Other Credit	201,296	74,380	53,379
Total Liabilities, Fund Equity and Other Credit	\$560,679	\$82,211	\$58,172

See accompanying notes to the general purpose financial statements

<u>Account Groups</u>		
<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	<u>Totals (Memorandum Only)</u>
\$0	\$0	\$352,723
0	0	58,172
0	0	266,269
0	0	458
0	0	23,440
77,920	0	77,920
<u>0</u>	<u>117,913</u>	<u>117,913</u>
<u>\$77,920</u>	<u>\$117,913</u>	<u>\$896,895</u>
\$0	\$0	\$12,430
0	0	194,514
0	115,738	118,897
0	2,175	30,778
0	0	128,508
0	0	4,793
<u>0</u>	<u>117,913</u>	<u>489,920</u>
77,920	0	77,920
0	0	53,379
0	0	9,742
0	0	265,934
<u>77,920</u>	<u>0</u>	<u>406,975</u>
<u>\$77,920</u>	<u>\$117,913</u>	<u>\$896,895</u>

Belmont 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, 2001

	General	Special Revenue	Totals (Memorandum Only)
<u>Revenues:</u>			
Intergovernmental	\$1,287,551	\$156,122	\$1,443,673
Interest	7,556	0	7,556
Charges for Services	535,634	225	535,859
Miscellaneous	6,031	6,535	12,566
Total Revenues	1,836,772	162,882	1,999,654
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	9,105	9,105
Special	336,565	23,684	360,249
Other	74,502	0	74,502
Support Services:			
Pupils	743,787	0	743,787
Instructional Staff	370,595	39,868	410,463
Board of Education	10,756	0	10,756
Administration	184,353	18,111	202,464
Fiscal	87,987	6,276	94,263
Pupil Transportation	12,884	0	12,884
Central	0	16,143	16,143
Operation of Non-Instructional Services	0	6,000	6,000
Extracurricular Activities	3,497	0	3,497
Total Expenditures	1,824,926	119,187	1,944,113
Excess of Revenues Over Expenditures	11,846	43,695	55,541
Fund Balances at Beginning of Year (Restated - Note 3)	189,450	30,685	220,135
Fund Balances at End of Year	<u>\$201,296</u>	<u>\$74,380</u>	<u>\$275,676</u>

See accompanying notes to the general purpose financial statements

Belmont County Educational Service Center
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2001

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$1,191,925	\$1,176,662	(\$15,263)
Interest	7,100	7,536	436
Charges for Services	670,778	685,186	14,408
Miscellaneous	0	0	0
Total Revenues	1,869,803	1,869,384	(419)
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	0	0	0
Special	361,816	328,299	33,517
Other	77,925	70,084	7,841
Support Services:			
Pupils	830,674	696,463	134,211
Instructional Staff	414,701	369,176	45,525
Board of Education	12,095	10,831	1,264
Administration	217,531	186,544	30,987
Fiscal	106,665	90,278	16,387
Pupil Transportation	16,425	12,942	3,483
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	6,535	5,064	1,471
Capital Outlay	10,000	5,000	5,000
Total Expenditures	2,054,367	1,774,681	279,686
Excess of Revenues Over (Under) Expenditures	(184,564)	94,703	279,267
<u>Other Financing Sources (Uses):</u>			
Other Financing Sources	0	0	0
Refund of Prior Year Expenditures	12,708	12,708	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Advances In	0	12,277	12,277
Advances Out	0	0	0
Total Other Financing Sources (Uses)	12,708	24,985	12,277
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(171,856)	119,688	291,544
Fund Balances at Beginning of Year	132,939	132,939	0
Prior Year Encumbrances Appropriated	9,978	9,978	0
Fund Balances at End of Year	(\$28,939)	\$262,605	\$291,544

(continued)

Belmont County Educational Service Center
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types (Continued)
 For the Fiscal Year Ended June 30, 2001

	Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$182,331	\$182,331	\$0
Interest	0	0	0
Charges for Services	225	225	0
Miscellaneous	2,787	2,796	9
Total Revenues	185,343	185,352	9
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	6,077	6,077	0
Special	39,759	29,607	10,152
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional Staff	88,118	41,290	46,828
Board of Education	0	0	0
Administration	19,210	18,368	842
Fiscal	16,152	10,273	5,879
Pupil Transportation	0	0	0
Central	20,006	17,271	2,735
Operation of Non-Instructional Services	6,000	6,000	0
Extracurricular Activities	0	0	0
Capital Outlay	0	0	0
Total Expenditures	195,322	128,886	66,436
Excess of Revenues Over (Under) Expenditures	(9,979)	56,466	66,445
<u>Other Financing Sources (Uses):</u>			
Other Financing Sources	4,860	4,860	0
Refund of Prior Year Expenditures	0	0	0
Operating Transfers In	1,000	0	(1,000)
Operating Transfers Out	(1,000)	0	1,000
Advances In	0	0	0
Advances Out	0	(12,277)	(12,277)
Total Other Financing Sources (Uses)	4,860	(7,417)	(12,277)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,119)	49,049	54,168
Fund Balances at Beginning of Year	17,858	17,858	0
Prior Year Encumbrances Appropriated	3,755	3,755	0
Fund Balances at End of Year	\$16,494	\$70,662	\$54,168

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,374,256	\$1,358,993	(\$15,263)
7,100	7,536	436
671,003	685,411	14,408
2,787	2,796	9
<u>2,055,146</u>	<u>2,054,736</u>	<u>(410)</u>
6,077	6,077	0
401,575	357,906	43,669
77,925	70,084	7,841
830,674	696,463	134,211
502,819	410,466	92,353
12,095	10,831	1,264
236,741	204,912	31,829
122,817	100,551	22,266
16,425	12,942	3,483
20,006	17,271	2,735
6,000	6,000	0
6,535	5,064	1,471
10,000	5,000	5,000
<u>2,249,689</u>	<u>1,903,567</u>	<u>346,122</u>
<u>(194,543)</u>	<u>151,169</u>	<u>345,712</u>
4,860	4,860	0
12,708	12,708	0
1,000	0	(1,000)
(1,000)	0	1,000
0	12,277	12,277
0	(12,277)	(12,277)
<u>17,568</u>	<u>17,568</u>	<u>0</u>
(176,975)	168,737	345,712
150,797	150,797	0
13,733	13,733	0
<u>(\$12,445)</u>	<u>\$333,267</u>	<u>\$345,712</u>

Belmont County Educational Service Center
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Internal Service
<u>Operating Revenue:</u>	
Charges for Services	\$87,710
Total Operating Revenue	87,710
<u>Operating Expenses:</u>	
Purchased Services	3,058
Claims	59,144
Total Operating Expenses	62,202
Operating Income	25,508
<u>Non-Operating Revenue:</u>	
Interest	1,907
Total Non-Operating Revenue	1,907
Net Income	27,415
Retained Earnings at Beginning of Year	25,964
Retained Earnings at End of Year	\$53,379

See accompanying notes to the general purpose financial statements

Belmont County Educational Service Center
Statement of Revenues, Expenses and Changes in
Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Internal Service Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
<u>Revenues:</u>			
Charges for Services	\$84,893	\$87,710	\$2,817
Interest	1,960	1,907	(53)
Total Revenues	86,853	89,617	2,764
 <u>Expenses:</u>			
Purchases Services	2,253	3,090	(837)
Claims	57,722	57,722	0
Total Expenses	59,975	60,812	(837)
Excess of Revenues Over Expenses	26,878	28,805	1,927
Fund Equity at Beginning of Year	29,335	29,335	0
Fund Equity at End of Year	\$56,213	\$58,140	\$1,927

See accompanying notes to the general purpose financial statements

Belmont County Educational Service Center
Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Internal Service
<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Quasi-External Transactions with Other Funds	\$87,710
Cash Payments to Suppliers for Goods and Services	(3,058)
Cash Payments for Claims	(57,722)
Net Cash Provided by Operating Activities	26,930
<u>Cash Flows from Investing Activities:</u>	
Interest	1,907
Net Cash Provided by Investing Activities	1,907
Net Increase in Cash and Cash Equivalents	28,837
Cash and Cash Equivalents at Beginning of Year	29,335
Cash and Cash Equivalents at End of Year	\$58,172
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$25,508
<u>Adjustments to Reconcile Operating Income to to Net Cash Provided by Operating Activities:</u>	
<u>Changes in Liabilities:</u>	
Increase in Claims Payable	1,422
Total Adjustments	1,422
Net Cash Provided by Operating Activities	\$26,930

See accompanying notes to the general purpose financial statements

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Belmont County Educational Service Center (the "Educational Service Center") is located in St. Clairsville, Ohio, the Belmont County seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Barnesville Exempted Village, Bellaire City, St. Clairsville-Richland City, Union Local, Shadyside Local, Bridgeport Exempted Village, and Martins Ferry City School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Belmont County Educational Service Center operates under a locally elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service center has 12 support staff employees and 32 certified teaching personnel that provide services to the local, city, and exempted village school districts.

Reporting Entity:

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

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

The Educational Service Center participates in the Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) which is defined as a jointly governed organization, the Ohio School Boards Association Workers' Compensation Group Rating Plan which is defined as a group insurance purchasing pool, and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan which is defined as a claims servicing pool. Additional information concerning the jointly governed organization is presented in Note 16, and information concerning the group insurance purchasing pool and the claims servicing pool is presented in Note 17.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Belmont County 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 Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. 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 restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

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 (except those accounted for in proprietary funds and trust funds) 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 (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Proprietary Fund Type:

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

Internal Service Fund - Internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Educational Service Center on a cost reimbursement basis.

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, other than those accounted for in the proprietary fund.

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

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 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.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Educational Service Center, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: interest, grants, and charges for services.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. Receivables that will not be collected within the available period, have been reported as deferred revenue.

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.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

C. Budgetary Process

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

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

Appropriations:

The annual appropriation resolution is enacted by the Educational Service Center at the fund, function, and object level of expenditures. When necessary, the school board passes a temporary appropriation measure that is maintained until annual appropriations are adopted. The school board limits the amount of the appropriations by fund to the amount of the estimated resources, and the sum of expenditures plus encumbrances to the amount of each appropriation. Any revisions that alter the total of any fund appropriation, or alter any total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Educational Service Center.

The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the estimated resources 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.

Encumbrances:

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

Lapsing of Appropriations:

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

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

D. Cash and Cash Equivalents

To improve cash management, cash received by the Educational Service Center is pooled in a central bank account. Monies for all funds, including the proprietary fund, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The Educational Service Center participates in the OME-RESA insurance consortium for self-insurance. This money is held separate from the Educational Service Center's central bank account and is reflected in the financial statements as "Cash and Cash Equivalents with Fiscal Agents". Except for nonparticipating investment contracts, investments are reported at fair value which is based in quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost. During fiscal year 2001, investments were limited to STAROhio and certificates of deposit. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$7,556, which includes \$2,669 assigned from other Educational Service Center funds.

For purposes of the statement of cash flows and for presentation on 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 while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. For the fiscal year ended June 30, 2001, there were no amounts for materials and supplies inventory reflected in the Educational Service Center's financial statements.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

G. Fixed Assets and Depreciation

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

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

H. Compensated Absences

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

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

The current portion of unpaid compensated absences is the amount of vacation expected to be paid using available expendable resources and severance payments paid to employees during the available period. 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.

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

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

J. Interfund Transactions

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

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

K. Fund Balance Reserves

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

L. 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.

M. Total Columns on General Purpose Financial Statements

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

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

For fiscal year 2001, the Educational Service Center has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions" and GASB Statement No. 36, "Reporting for Certain Shared Non-Exchange Revenues". The implementation of GASB Statements No. 33 and 36 had the following effect on fund balance at June 30, 2000:

**Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

	General Fund
Fund Balance at June 30, 2000	\$162,290
Implementation of GASB 33	27,160
Adjusted Fund Balance at June 30, 2000	\$189,450

NOTE 4 - COMPLIANCE

During the year, the Educational Service Center had expenditures which did not contain the Clerk's prior certification, contrary to Ohio Rev. Section 5705.41 (D).

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>
GAAP Basis	\$11,846	\$43,695
Net Adjustment for Revenue Accruals	45,320	27,330
Net Adjustment for Expenditure Accruals	64,652	(4,650)
Advance In	12,277	0
Advances Out	0	(12,277)
Encumbrances	<u>(14,407)</u>	<u>(5,049)</u>
Budget Basis	<u>\$119,688</u>	<u>\$49,049</u>

Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type

	<u>Internal Service</u>
GAAP Basis	\$27,415
Net Expense Accruals	1,422
Encumbrances	<u>(32)</u>
Budget Basis	<u>\$28,805</u>

NOTE 6 - CASH AND CASH EQUIVALENTS

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

Active deposits are public deposits necessary to meet current demand 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.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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

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

Protection of the Educational Service Center's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) of (2) 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); and

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

7. Certain bankers' acceptance 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.

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 of transfer from the custodian.

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

At June 30, 2001, the Educational Service Center's internal service fund had a cash balance of \$58,172 with OME-RESA, a jointly governed organization (See Note 16). The money is held by the claims servicer in a pooled account which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents and investments for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Steubenville, Ohio 43952.

Deposits: At year end the carrying amount of the Educational Service Center's deposits was \$183,771 and the bank balance was \$273,335. Of the bank balance:

1. \$153,453 was covered by federal depository insurance; and
2. \$119,882 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 could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Investments: The Educational Service Center’s investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service Center at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the Educational Service Center of the Educational Service Center’s agent in the Educational Service Center’s name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty’s trust department or agent in the Educational Service Center’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center’s name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. The Educational Service Center’s investment in STAROhio has a market value of \$168,952 as of June 30, 2001.

The classification of “Cash and Cash Equivalents” on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents on the combined financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$352,723	\$0
STAROhio	(168,952)	168,952
GASB Statement 3	\$183,771	\$168,952

NOTE 7 - STATE FUNDING

The Educational Service 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 Educational Service Center provides services and by the State Department of Education. Each school district’s portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district’s resources provided under the State’s Foundation Program. The Department of Education’s portion is determined by multiplying the sum of the average daily memberships of all of the school district’s served by the Educational Service Center by \$37. This amount is provided from State resources.

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

**Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of intergovernmental grants and reimbursements and accrued interest receivable. All receivables are considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Social Services Reimbursements	\$138,048
Excess Costs and Reimbursements from Member School Districts	<u>121,721</u>
Total General Fund	<u>259,769</u>
Special Revenue Fund:	
Preschool Grant Reimbursements	<u>6,500</u>
Total Intergovernmental Receivables	<u>\$266,269</u>

NOTE 9 - FIXED ASSETS

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

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Furniture, Fixtures and Equipment	<u>\$68,684</u>	<u>\$9,544</u>	<u>\$308</u>	<u>\$77,920</u>

NOTE 10 - RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the Educational Service Center contracted with Nationwide Insurance for bonds, fleet insurance, contents insurance, and liability insurance. Coverages provided by Nationwide Insurance are as follows:

Bonds for Treasurer and Administration And Administration Secretary	\$20,000 each person
Automobile Liability (\$100 deductible)	\$1,000,000
Contents	\$41,600

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

General Liability	
Per occurrence	\$1,000,000
Total per year - aggregate	\$1,000,000

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.

For fiscal year 2001, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Prescription, vision, life, and dental insurance is offered to employees through a self-insurance internal service fund. The Educational Service Center is a member of the OME-RESA claims servicing pool. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. The claims liability of \$4,793 reported in the Internal Service Fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by the increased claims adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2000	\$2,087	\$44,387	\$43,103	\$3,371
2001	3,371	59,144	57,722	4,793

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2001, 2000, and 1999 were \$99,440, \$56,080, and \$44,729, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$18,096 representing the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 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 Educational Service Center rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$10,909, \$12,862, and \$12,350, respectively; 69 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$3,426 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, one members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$47,103 during 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the Educational Center, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$26,976.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from the Educational Service's personnel policies and State laws.

Administrative and classified employees can earn seven and one-half to twenty days of vacation per fiscal year, depending upon length of service and their position held. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn 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 maximum of 240 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days for classified employees and certified employees.

B. Insurances

The Educational Service Center has elected to provide employee medical/surgical benefits through Coventry Health Care. The employees share the cost of the monthly premium with the Board. The Educational Service also provides prescription, dental, life, and vision insurance to employees. The Educational Service Center pays the entire costs of these premiums to the provider. The Educational Service Center provides life insurance to employees through Medical Mutual of Ohio.

NOTE 14 - LONG-TERM OBLIGATIONS

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

	<u>Outstanding at 6/30/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding at 6/30/01</u>
Compensated Absences	\$104,034	\$29,086	\$17,382	\$115,738
Intergovernmental Payable	<u>1,258</u>	<u>2,175</u>	<u>1,258</u>	<u>2,175</u>
Total Long-Term Obligations	<u>\$105,292</u>	<u>\$31,261</u>	<u>\$18,640</u>	<u>\$117,913</u>

**Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

Compensated absences and the intergovernmental payable will be paid from the fund from which the employees' salaries are paid.

NOTE 15 - INTERFUND ACTIVITY

During fiscal year 2001, a cash advance in the amount of \$12,277 was repaid to the General Fund from the Eisenhower Grant Special Revenue Fund.

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

Ohio Mid Eastern Regional Educational Service Agency (OME-RESA) - OME-RESA was created as a regional council of governments pursuant to State statutes. OME-RESA has 12 participating counties consisting of Belmont, Carroll, Columbiana, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble, and Tuscarawas Counties. OME-RESA provides financial accounting services, educational management information system, and cooperative purchasing services to member districts. OME-RESA possesses its own budgeting authority. To obtain financial information write to the Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

NOTE 17 - PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan - The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Claims Servicing Pool

Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan - The Educational Service Center participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self- Insurance Plan, a claims servicing pool comprised of fifty members. The Plan's business affairs are conducted by a nine member Board of Directors elected from OME-RESA's assembly. Each participant is a member of the assembly. Each member pays a monthly premium based on their claims history and a monthly administration fee. All participating members retain their risk and the Plan acts as the claims servicing agent.

Belmont County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 19 - SUBSEQUENT EVENT

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as a basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 2, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**BELMONT EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Breakfast Program	05-PU-00	10.553	\$471	\$471
National School Lunch Program	LL-P1-00	10.555	1,899	1,899
National School Lunch Program	LL-P4-00	10.555	257	257
Total National School Lunch Program			<u>2,156</u>	<u>2,156</u>
Total U.S. Department of Agriculture - Nutrition Cluster			<u>2,627</u>	<u>2,627</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Preschool Grant (Subsidy - Flowthru)	PG-S1-00	84.173	5,591	7,977
Preschool Grant (Home Activities - Early Childhood Grant)	PG-SC-00	84.173	783	783
Preschool Grant (Subsidy - Flowthru)	PG-S1-01	84.173	29,881	24,404
Preschool Grant (Early Childhood Indicators Grant)	PG-SC-99	84.173		8
Total Preschool Grant			<u>36,255</u>	<u>33,172</u>
Eisenhower, IASA Title II	MS-S1-00	84.281	20,835	7,751
Eisenhower, IASA Title II	MS-S1-00	84.281	48,663	31,192
<i>Passed Through Ohio University Eastern:</i>				
Eisenhower, IASA Title II	MS-S1-00	84.281	<u>54,252</u>	<u>20,140</u>
Total Eisenhower, IASA Title II			<u>123,750</u>	<u>59,083</u>
Total U.S. Department of Education			<u>160,005</u>	<u>92,255</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>Passed Through Belmont County Department of Job and Family Services:</i>				
Temporary Assistance for Needy Families - Prevention Retention Contingency Grant	N/A	93.558	144,299	156,244
Temporary Assistance for Needy Families - Prevention Retention Contingency Grant	N/A	93.558	<u>329,518</u>	<u>313,315</u>
Total Temporary Assistance for Needy Families - Prevention Retention Contingency Grant			<u>473,817</u>	<u>469,559</u>
Total U.S. Department of Health and Human Services			<u>473,817</u>	<u>469,559</u>
Total Federal Awards Receipts and Expenditures			<u>\$636,449</u>	<u>\$564,441</u>

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAMS

Federal monies are commingled with total food service funds. It is assumed federal monies are expended first.



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

Belmont County Educational Service Center
Belmont County
410 Fox Shannon Place
St. Clairsville, Ohio 43950

To Members of the Board:

We have audited the general purpose financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2001, and have issued our report thereon dated January 2, 2002, wherein we noted the Educational Service Center adopted Governmental Accounting Standards Nos. 33 and 36. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Educational Service Center's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-11007-001 and 2001-11007-002. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Educational Service Center in a separate letter dated January 2, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School District in a separate letter dated January 2, 2002.

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

January 2, 2002



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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**

Belmont County Educational Service Center
Belmont County
410 Fox Shannon Place
St. Clairsville, Ohio 43950

Compliance

We have audited the compliance of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The Educational Service Center's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. 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.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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.

As described in item 2001-11007-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient documentation supporting compliance of the Educational Service Center, with the requirements of the Temporary Assistance for Needy Families program governing allowable costs; nor were we able to satisfy ourselves as to the Educational Service Center's compliance with those requirements of the Temporary Assistance for Needy Families program by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the Educational Service Center's compliance with the requirements of the Temporary Assistance for Needy Families program governing allowable costs, 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, 2001. We also noted certain other instances of noncompliance that do not require inclusion in this report that we have reported to the management of the Educational Service Center in a separate letter dated January 2, 2002.

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.

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 the audit committee, 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

January 2, 2002

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Temporary Assistance for Needy Families CFDA#: 93.558
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001
(Continued)**

2. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-11007-001

Noncompliance Citation

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

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

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

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

The Educational Service Center did not obtain the Treasurer's prior certification for 30% of the tested transactions, nor was there evidence of a "Then and Now" certificate being used by the Treasurer.

We recommend that the Educational Service Center obtain the Treasurer's prior certification for all disbursements.

FINDING NUMBER 2001-11007-002

Noncompliance Citation

We consider the matter reported in finding number 2001-11007-003, regarding a lack of support for certain costs charged to the Federal Temporary Assistance to Needy Families program to be material noncompliance for purposes of our Report of Independent Accountants on Compliance and on Internal Control Required by *Government Auditing Standards*.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
JUNE 30, 2001
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2001-11007-003

Noncompliance Citation and Questioned Cost - Allowable Costs

CFDA Title and Number: Temporary Assistance for Needy Families -
Prevention Retention Contingency Grant (CFDA #93.558)

Federal Award Number/Year: Not Available

Federal Agency: U.S. Department of Health and Human Services

Pass-Through Agency: Belmont County Department of Job and Family Services

OMB Circular A-87 - Attachment A, Section C 1 j, states that to be allowable under Federal awards, costs must be adequately documented.

OMB Circular A-87 - Attachment A, Section C 2, states a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

The Educational Service Center submitted claims for reimbursement to the Temporary Assistance for Needy Families (TANF) grant program for unemployment costs using a flat rate percentage of 45% of employee gross wages. The Educational Service Center accumulated these funds within a special cost center within the General Fund to pay anticipated future unemployment claims. The grant requires these funds to be expended or obligated by September 30, 2001. The Educational Service Center did not provide documentation to support the percentage charged to the TANF program for unemployment claims it anticipated would occur related to employees assigned to the TANF program. In addition, as of September 30, 2001 these funds related to anticipated unemployment charges were not expended or obligated. Therefore, we are questioning these unemployment costs reimbursed in the amount of \$115,146.

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**BELMONT COUNTY EDUCATIONAL SERVICE CENTER
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-11007-001	Ohio Rev. Code Section 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Of expenditures tested in fiscal year 2000, all did not contain prior certification.	No	Not Corrected; Reissued as Finding 2001-11007-001.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER/
BELMONT COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-11007-001	Implemented procedure of utilizing blanket and super blanket purchase orders to reduce the number of expenditures not having prior certification.	6/30/02	Judy Oberdick, Treasurer
2001-11007-002 and 2001-11007-003	The Educational Service Center distributed check number 12591, in the amount of \$59,134.15, to the grantor agency for unobligated grant funds.	N/A	Judy Oberdick, Treasurer



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BELMONT EDUCATIONAL SERVICE CENTER

BELMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2002**