



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	3
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Fund Types .....	4
Combined Statement of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types .....	6
Notes to the General Purpose Financial Statements .....	9
Report on Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	23

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## REPORT OF INDEPENDENT ACCOUNTANTS

Carroll Harrison Educational Service Center  
Carroll County  
401 West Main Street  
Malvern, Ohio 44644-9482

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Carroll Harrison Educational Service Center, Carroll County, (the Center) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 Carroll Harrison Educational Service Center, Carroll County, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2002 on our consideration of the 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

April 10, 2002

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**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUP  
JUNE 30, 2000**

	<u>Governmental Fund Types</u>		<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>General Long-Term Obligations</u>	
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$130,433	\$10,890		\$141,323
<b>Other Debits:</b>				
Amount to be provided from general government resources			\$90	90
Total Assets and Other Debits	<u>\$130,433</u>	<u>\$10,890</u>	<u>\$90</u>	<u>\$141,413</u>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accrued wages and benefits	15,705			15,705
Compensated absences payable	3,079		90	3,169
Due to other governments	609			609
Total liabilities	19,393		90	19,483
<b>Equity and Other Credits:</b>				
Fund balances:				
Reserved for encumbrances	11,067			11,067
Unreserved-undesignated	99,973	10,890		110,863
Total Equity and Other Credits	111,040	10,890		121,930
Total Liabilities, Equity and Other Credits	<u>\$130,433</u>	<u>\$10,890</u>	<u>\$90</u>	<u>\$141,413</u>

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

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Revenues:</b>			
From local sources:			
Earnings on investments	\$2,978		\$2,978
Other local revenues	118,374		118,374
Intergovernmental - State	<u>128,576</u>	<u>\$8,500</u>	<u>137,076</u>
Total revenues	<u>249,928</u>	<u>8,500</u>	<u>258,428</u>
<b>Expenditures:</b>			
Current:			
Support services:			
Pupil	81,828		81,828
Instructional staff	141,014		141,014
Board of Education	25,071	2,140	27,211
Administration	9,719		9,719
Fiscal	7,758		7,758
Operations and maintenance	13,676		13,676
Pupil transportation	<u>6,444</u>		<u>6,444</u>
Total Expenditures	<u>285,510</u>	<u>2,140</u>	<u>287,650</u>
Excess (Deficiency) of revenues over/(under) expenditures	<u>(35,582)</u>	<u>6,360</u>	<u>(29,222)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	330		330
Operating transfers out		<u>(330)</u>	<u>(330)</u>
Total other financing sources (uses)	<u>330</u>	<u>(330)</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(35,252)</u>	<u>6,030</u>	<u>(29,222)</u>
Fund balances, July 1	<u>146,292</u>	<u>4,860</u>	<u>151,152</u>
<b>Fund balances, June 30</b>	<b><u>\$111,040</u></b>	<b><u>\$10,890</u></b>	<b><u>\$121,930</u></b>

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



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**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>General</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<b>Revenues:</b>			
From local sources:			
Earnings on investments		\$2,978	\$2,978
Other local revenues	\$80,000	140,425	60,425
Intergovernmental - State	140,330	128,576	(11,754)
Total revenues	<u>220,330</u>	<u>271,979</u>	<u>51,649</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Support services:			
Pupil	88,460	89,663	(1,203)
Instructional staff	130,400	136,367	(5,967)
Board of Education	23,400	27,574	(4,174)
Administration	14,500	9,724	4,776
Fiscal	19,550	7,758	11,792
Operations and maintenance	5,000	16,394	(11,394)
Pupil transportation	2,500	14,086	(11,586)
Capital Outlay			
Total expenditures	<u>283,810</u>	<u>301,566</u>	<u>(17,756)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(63,480)</u>	<u>(29,587)</u>	<u>33,893</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditure		25	25
Operating transfers in		330	330
Operating transfers (out)			
Total other financing sources (uses)		<u>355</u>	<u>355</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(63,480)</u>	<u>(29,232)</u>	<u>34,248</u>
Fund balances, July 1	144,763	144,763	
Prior year encumbrances appropriated	3,835	3,835	
<b>Fund balances, June 30</b>	<u><u>\$85,118</u></u>	<u><u>\$119,366</u></u>	<u><u>\$34,248</u></u>

*The notes to the General Purpose Financial Statements are an integral part of this statement.*

<u>Special Revenue</u>			<u>Total (Memorandum only)</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>	<u>Budget Revised</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
				\$2,978	\$2,978
			\$80,000	140,425	60,425
\$3,000	\$8,500	\$5,500	143,330	137,076	(6,254)
3,000	8,500	5,500	223,330	280,479	57,149
			88,460	89,663	(1,203)
			130,400	136,367	(5,967)
	2,140	(2,140)	23,400	29,714	(6,314)
			14,500	9,724	4,776
			19,550	7,758	11,792
			5,000	16,394	(11,394)
			2,500	14,086	(11,586)
7,796		7,796	7,796		7,796
7,796	2,140	5,656	291,606	303,706	(12,100)
(4,796)	6,360	11,156	(68,276)	(23,227)	45,049
				25	25
	(330)	(330)		330	330
	(330)	(330)		(330)	(330)
	(330)	(330)		25	25
(4,796)	6,030	10,826	(68,276)	(23,202)	45,074
4,860			149,623	144,763	4,860
			3,835	3,835	
<b>\$64</b>	<b>\$6,030</b>	<b>\$10,826</b>	<b>\$85,182</b>	<b>\$125,396</b>	<b>\$45,074</b>

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**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND THE REPORTING ENTITY**

The Carroll-Harrison Educational Service Center (the Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a county school district as defined by Section 3311.05 of the Ohio Revised Code. The Center operates under an elected five-member Governing Board and provides no direct educational services to students. The Center is responsible for providing services and assisting school districts in Carroll and Harrison Counties.

The Center employs 5 certificated employees and 2 non-certificated employees. The Center offers its services to the Brown Local School District and the Conotton Valley Local School District.

**A. The Reporting Entity**

The Center's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial 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 Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. For the 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 Center is financially accountable for an organization if the Center's Governing Board appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organizations' resources; the Center is legally obligated or has otherwise assumed responsibility to finance the deficits of, or provide financial support to the organization; and the Center is legally obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Center taxes. Based upon the application of these, the Center has no component units. The following organizations are described due to their relationship with the Center.

**B. Jointly Governed Organization**

**Stark-Portage Area Computer Consortium**

The Center is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five member executive board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

**C. Insurance Purchasing Pool**

**Ohio School Boards Association Workers' Compensation Group Rating Plan**

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP is a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code.

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND THE REPORTING ENTITY (Continued)**

The GRPs 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

The general purpose financial statements (GPFS) of the 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 Center's significant accounting policies are described below.

**A. Fund Accounting**

The Center uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. The Center has the following fund types and account group.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the Center are financed. The acquisition, use and balances of the Center's expendable financial resources and the related liabilities (except those accounted for in fiduciary funds) are accounted for through governmental funds. The following are the Center's governmental fund types:

**General Fund**

The general fund is the general operating fund of the 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 Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**2. Account Group:**

To make a clear distinction between long-term liabilities related to specific funds and those of a general nature, the Center maintains one account group as described below:

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the Center.

**B. Measurement Focus/Basis of Accounting**

**1. Measurement Focus**

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

**2. Basis of Accounting**

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 governmental and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the Center is sixty days after the June 30 year end. "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. Revenues accrued at the end of the year include interest, grants and entitlements.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

**C. Budgetary Process**

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 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 Center.

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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.

**2. Appropriations:**

The annual appropriation resolution is legally enacted by the Governing Board at the fund function level of expenditures, which is the legal level 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 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 appropriation within a function 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. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**3. 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. Note 11 provides a reconciliation of the budgetary and GAAP basis of accounting.

**4. 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 reappropriated.



**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents**

To improve cash management, cash received by the Center is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the Center's 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 2000, the Center had no investments. Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2000 amounted to \$2,978, which includes \$159 assigned from other Center funds.

For purposes of the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents.

An analysis of the Treasurer's investment account at year end is provided in Note 3.

**E. Compensated Absences**

The 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 Center will compensate the employees for the benefits through paid time off or some other means. The 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 Center records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from the state retirement systems. The liability is based on accumulated sick leave and employee wage rates at fiscal year-end, taking into consideration any limits specified in the 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.

**F. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences are reported as a liability in the general long-term 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.

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**H. Interfund Transactions**

During the course of normal operations, the Center may have numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The Center had no short-term interfund loans receivable or payable at June 30, 2000.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The Center had no long-term advances receivable or payable at June 30, 2000.

See Note 4 for an analysis of interfund transactions.

**I. Estimates**

The preparation of the GPFS in conformity with GAAP 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.

**J. Intergovernmental Revenues**

In government funds, entitlements and non-reimbursable grants (similar to entitlements and shared revenues) are recorded as receivables and revenue when measurable and available (to the extent they are intended to finance the current fiscal year). Reimbursement type grants are recorded as receivables and revenue when the related expenditures are incurred. The Center currently participates in various state and federal programs categorized as follows:

**Entitlements**  
**General Fund**  
State Foundation Program

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Non-Reimbursable Grants**

**Special Revenue**

Management Information Systems

Bureau of Criminal Investigation Grant

Grants and entitlements amounted to approximately 53% of the Center's operating revenue during the 2000 fiscal year.

**K. Memorandum Only - Total Columns**

Total columns on the GPFS 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, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

State statutes require the classification of monies held by the 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 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 the Governing Board 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 one year from the date of deposit or by savings accounts, including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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;

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications 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 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 No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year end, the carrying amount of the Center's deposits was \$141,323 and the bank balance was \$159,436. The entire bank balance was covered by federal depository insurance.

*Investments:* The Center had no investments at June 30, 2000.

**4. INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the Center's operating transfers for fiscal year 2000:

	Transfers Out	Transfers In
General Fund	\$ - - -	\$330
<u>Special Revenue Fund</u>		
Management Information Systems	<u>330</u>	<u>- - -</u>
Totals	<u>\$330</u>	<u>\$330</u>

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**5. STATE FUNDING**

The 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 Center's supervision) is apportioned by the State Board of Education from the participating school districts to which the 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 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.

**6. COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon the length of service. 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 total of 299 days for all personnel. Upon retirement, payment is made for one fourth of the total sick leave accumulation, up to a maximum of 70 days for classified employees.

**7. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2000, the following change occurred in the liability reported in the general long-term obligations account group. Compensated absences will ultimately be paid from the fund from which the employee is paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values.

	<b>Balance July 1, 1999</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance June 30, 2000</b>
Compensated absences	<u>\$9,149</u>	<u>\$ - - -</u>	<u>\$(9,059)</u>	<u>\$ 90</u>

**8. RISK MANAGEMENT**

**A. Comprehensive**

The 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 2000, the Center contracted with a private carrier for liability insurance. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 per aggregate.

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**B. Worker's Compensation**

The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 1.A). 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 Ohio School Boards Association. 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.

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures 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.

**9. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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 financial report that includes financial statements and required supplementary information. The report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The Center's required contributions to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$582, \$314, and \$422, respectively; 100 percent has been contributed for fiscal years 2000, 1999 and 1998.

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Center is required to contribute 14 percent; 6.0 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$25,831, \$21,215, and \$16,340, respectively; 100% has been contributed for fiscal years 2000, 1999 and 1998.

**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. The Center's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

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

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. Through June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$14,761 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

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.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. 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, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants currently receiving health care benefits. For the Center, the amount to fund health care benefits, including surcharge, equaled \$351 during the 2000 fiscal year.

**11. BUDGETARY BASIS OF ACCOUNTING**

While 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget 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 the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:



**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**11. BUDGETARY BASIS OF ACCOUNTING (Continued)**

**Excess of Revenues and Other Financing  
Sources Over/(Under) Expenditures and Other  
Financing Uses**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
Budget basis	\$(29,232)	\$6,030
Net adjustment for revenue accruals	(22,051)	---
Net adjustment for expenditure accruals	4,989	---
Net adjustment for other financing sources (uses)	(25)	
Encumbrances (budget basis)	<u>11,067</u>	<u>---</u>
GAAP basis	<u><u>\$(35,252)</u></u>	<u><u>\$6,030</u></u>

**12. CONTINGENCIES**

**A. Grants**

The Center receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Center at June 30, 2000.

**B. Litigation**

The Center is involved in no litigation as either plaintiff or defendant.

**C. State School Funding Decision**

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:

**CARROLL HARRISON EDUCATIONAL SERVICE CENTER  
CARROLL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2000  
(Continued)**

**12. CONTINGENCIES (Continued)**

- A change in the school districts that are used as the 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 November 27, 2001, 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 consideration.

As of the date of these financial statements, the School District 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.



**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Carroll Harrison Educational Service Center  
Carroll County  
401 West Main Street  
Malvern, Ohio 44644-9482

To the Board of Education:

We have audited the accompanying financial statements of the Carroll Harrison Educational Service Center, Carroll County (the Center) as of and for the year ended June 30, 2000, and have issued our report thereon dated April 10, 2002. 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 Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Center in a separate letter dated April 10, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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.

This report is intended solely for the information and use of the audit committee, management and the Board of Education. and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

April 10, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
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**CARROLL HARRISON EDUCATIONAL SERVICE CENTER**

**CARROLL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 4, 2002**