



Mary Taylor, CPA  
Auditor of State



**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Governing Board:

We have audited the accompanying financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Belmont County Educational Service Center, Belmont County, Ohio, as of and for the year ended June 30, 2008 in accordance with accounting principles generally accepted in the United States of America.

The Auditor of State has billed the Educational Service Center approximately \$16,383 for audit services provided in prior years and as of the date of this report, \$3,916 remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State opine on this entity because Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor to audit Ohio governments. Ohio Revised Code Section 117.13 also includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the County Auditor of the county in which the local public office is located.

As discussed in Note 11, the Educational Service Center is experiencing financial difficulties. Management's plan in regards to these financial difficulties is described in Note 11 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2009, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 11, 2009

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH  
AND FUND CASH BALANCES  
ALL FUND TYPES  
AS OF JUNE 30, 2008**

Cash and Cash Equivalents	\$ (6,168)
Cash and Cash Equivalents with Fiscal Agent	<u>26,047</u>
<b>Total</b>	<b><u><u>\$ 19,879</u></u></b>

**CASH BALANCES BY FUND TYPE**

<b>Governmental Funds:</b>	
General Fund	\$ (19,403)
Special Revenue Funds	13,235
<b>Proprietary Fund:</b>	
Internal Service Funds	<u>26,047</u>
<b>Total</b>	<b><u><u>\$ 19,879</u></u></b>

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Receipts from Local Sources:			
Earnings on Investments	\$2,843		\$2,843
Charges for Services	983,987		983,987
Miscellaneous	2,054		2,054
Receipts from Intermediate Sources:			
Restricted Grants-in-Aid	(62)		(62)
Receipts from State Sources:			
Unrestricted Grants-in-Aid	449,912		449,912
Restricted Grants-in-Aid		7,890	7,890
Receipts from Federal Sources:			
Unrestricted Grants-In-Aid	1,510		1,510
Restricted Grants-in-Aid		47,098	47,098
Total Cash Receipts	<u>1,440,244</u>	<u>54,988</u>	<u>1,495,232</u>
<b>Cash Disbursements:</b>			
Instruction:			
Special	374,689	56,351	431,040
Supporting Services:			
Pupils	338,947		338,947
Instructional Staff	299,973		299,973
Board of Education	20,602		20,602
Administration	523,923	1,890	525,813
Fiscal Services	50,684		50,684
Central		3,108	3,108
Total Cash Disbursements	<u>1,608,818</u>	<u>61,349</u>	<u>1,670,167</u>
Excess of Cash Receipts Under Cash Disbursements	(168,574)	(6,361)	(174,935)
Fund Cash Balances, July 1	<u>149,171</u>	<u>19,596</u>	<u>168,767</u>
<b>Fund Cash Balances, June 30</b>	<u>(\$19,403)</u>	<u>\$13,235</u>	<u>(\$6,168)</u>
Reserve for Encumbrances, June 30	<u>\$5</u>	<u>\$0</u>	<u>\$5</u>

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Internal Service</u>
<b>Operating Cash Receipts:</b>	
Charges to Other Funds	\$64,942
Total Operating Cash Receipts	<u>64,942</u>
<b>Operating Cash Disbursements:</b>	
Purchased Services	55,797
Total Operating Cash Disbursements	<u>55,797</u>
Operating Gain	9,145
<b>Nonoperating Cash Receipts:</b>	
Earnings on Investments	788
Miscellaneous	538
Total Nonoperating Cash Receipts	<u>1,326</u>
Net Gain	10,471
Fund Cash Balance, July 1	<u>15,576</u>
<b>Fund Cash Balance, June 30</b>	<u><u>\$26,047</u></u>

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

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**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The Belmont County Educational Service Center (the Educational Service Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Educational Service Center is a combined educational service center as defined by Section 3311.053 of the Ohio Revised Code. The Educational Service Center provides supervisory, special education, administrative, and other services to the Barnesville Exempted Village, Bellaire Local, Bridgeport Exempted Village, Martins Ferry City, Shadyside Local, and St. Clairsville-Richland City School Districts. The Educational Service Center furnishes leadership and consulting services designated to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. As of June 30, 2008, the Educational Service Center employed 19 certificated and 9 non-certificated employees.

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

The Educational Service Center is involved with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), the Ohio Coalition of Equity and Adequacy of School Funding (OCEASF), the Coalition of Rural and Appalachian Schools (CORAS), the East Central Ohio Special Education Regional Resource Center (ECO-SERRC), and the Educational Regional Service System Region 12 (ERSS) which are defined as jointly governed organizations; the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program and the Schools of Ohio Risk Sharing Authority, Inc. (SORSA), which are defined as insurance purchasing pools; and the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, which is defined as a risk-sharing, claims servicing and insurance purchasing pool. These organizations are presented in Notes 8 and 9.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Educational Service Center chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. Pooled Cash**

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

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

**C. Fund Accounting**

The Educational Service Center uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Educational Service Center functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

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

**Governmental Fund Types**

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

**General Fund**

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

**Special Revenue Funds**

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**C. Fund Accounting (Continued)**

**Proprietary Fund Type**

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

**Internal Service Funds**

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the Educational Service Center on a cost reimbursement basis.

**D. Budgetary Data**

The Educational Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center's Board does follow the budgetary process for control purposes. This is done by adopting an annual appropriation resolution which is the Governing Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by the Governing Board. However, the Board does not approve estimated resources, which would show the funding expected to be received for each fund. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the budgeted amounts (Note 4) reflect the total appropriations passed by the Governing Board during the fiscal year.

**E. Property, Plant, and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**F. Accumulated Unpaid Vacation and Sick Leave**

Accumulated unpaid vacation and sick leave are not accrued under the cash basis of accounting used by the Educational Service Center. All leave will either be absorbed by the time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the value of these benefits as of June 30, 2008.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. EQUITY IN POOLED CASH**

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

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

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

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

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

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

At June 30, 2008, the Educational Service Center's internal service fund had a balance of \$26,047 with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk-sharing, claims servicing, and insurance purchasing pool (see Note 9). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the Educational Service Center. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to Ohio Mid-Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, 2023 Sunset Blvd., Steubenville, Ohio 43952-1349.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the Educational Service Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2008, the Educational Service Center's bank balance of \$21,037, including the payroll account balance of \$19,031, was covered by the Federal Deposit Insurance Corporation.

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**4. PRIMARY REVENUE SOURCES**

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

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

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

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

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

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

**5. RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**A. Property and Liability (Continued)**

Insurance coverage provided includes the following:

<b>Coverage</b>	<b>Limits</b>	<b>Members Deductible</b>
<u>General Liability:</u>		
Bodily Injury and Property Damage	\$1,000,000	None
Personal Injury/Advertising Liability	\$1,000,000	None
Products/Completed Operations	\$1,000,000	None
Employee Benefits Liability	\$1,000,000	None
General Annual Aggregate	\$3,000,000	None
Fire Legal Liability	\$500,000	None
Medical Payments Occurrence/Aggregate	\$5,000/\$25,000	None
<u>Educators' Legal Liability:</u>		
Wrongful Acts Coverage Per Occurrence	\$1,000,000	\$4,000
Wrongful Acts Coverage Aggregate	\$1,000,000	None
<u>Automobile Liability:</u>		
Hired and Non-owned Liability	\$1,000,000	None
<u>Property:</u>		
Building & Business Personal Property Limit	\$52,786	\$500
<u>Crime Coverage:</u>		
Employee Dishonesty Including Faithful Performance of Duty	\$50,000	\$500
Forgery or Alteration	\$50,000	\$500
Computer Fraud	\$50,000	\$500
Theft, Disappearance and Destruction	\$50,000	\$500

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

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2008, the Educational Service Center participated in the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 9). The intent is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the pool. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the pool. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice, Inc., provides administrative, cost control and actuarial services to the Educational Service Center.

**C. Employee Benefits**

The Educational Service Center is self-insured for prescription, life, vision and dental insurance. The Educational Service Center is a member of the OME-RESA risk-sharing, claims servicing, and insurance purchasing pool. Monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. These premium costs are recovered by costs from charges to other funds based on an actuarially determined cost per employee. The claims liability of \$2,752 below is based on actual claims incurred on or before July 1, 2008 and paid July 1, 2008 through September 27, 2008 as provided by the third-party administrator.

A comparison of self-insurance cash and investments to the liability as of June 30 follows:

	<u>2008</u>	<u>2007</u>
Cash and investments	\$26,047	\$15,576
Actuarial liabilities	\$2,752	\$1,145

The Educational Service Center also provides health, life and accidental death and dismemberment insurance to its employees through Anthem Life Insurance Company and Fort Dearborn Life Insurance Company. The Anthem monthly rate is \$1,344.04 for a family plan and \$435.39 for a single plan. The Board of Education pays 90 percent of the premiums.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**6. PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$20,320, \$23,194 and \$19,179 respectively; 35.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**6. PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$123,176, \$96,931, and \$116,764 respectively; 66.94 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. No contributions to the DC and Combined Plans were made for fiscal year 2008 by the Educational Service Center or by the plan members.

**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 of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**7. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (Continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$9,273, \$7,700, and \$6,693 respectively; 35.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,464, \$1,577, and \$1,526 respectively; 35.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,132, \$7,456, and \$8,982 respectively; 66.94 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**8. JOINTLY GOVERNED ORGANIZATIONS**

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

OME-RESA was created as a regional council of governments pursuant to State statute. OME-RESA participants consist of school districts and county educational service centers. OME-RESA operates under the direction of a Board consisting of one representative from each of the participating school district's elected boards, which possesses its own budgeting and taxing authority. OME-RESA provides financial accounting services, educational management information, internet access, and cooperative purchasing services to member districts. During fiscal year 2008, the total amount paid to OME-RESA from the Educational Service Center was \$1,920. The Jefferson County Educational Service Center serves as the fiscal agent and receives funding from the State Department of Education. To obtain financial information write to Ohio Mid-Eastern Regional Educational Service Agency, Treasurer, at 2023 Sunset Blvd., Steubenville, Ohio 43952.

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

OCEASF was organized as a council of governments pursuant to Chapter 167 of the Ohio Revised Code. The Coalition was organized in 1990 to challenge the constitutionality of the Ohio school funding system. The Coalition is governed by a Steering Committee of 90 school district representatives. Though most of the members are superintendents, some treasurers, board members, and administrators also serve. Several persons serve as ex officio members. The membership of the coalition includes over 500 school districts throughout the State of Ohio. Member school districts and joint vocational schools pay dues of \$.05 per pupil. School districts and joint vocational schools may also pay supplemental dues in the amount of \$.50 per pupil for K-12 districts and educational service centers pay dues of \$.05 per pupil. The Coalition is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest or financial responsibility for the Coalition. During fiscal year 2008, the Educational Service Center paid \$110 to the Coalition.

**Coalition of Rural and Appalachian Schools (CORAS)**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 school districts in southeastern Ohio. The Coalition is operated by a Board which is comprised of fourteen members. The board members are comprised of one superintendent from each county elected by the school districts within that county. The Board provides various in-service for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Board is not dependent on the continued participation of the Educational Service Center and the Educational Service Center does not maintain an equity interest in or financial responsibility for the Board. The Educational Service Center's membership fee was \$300 for fiscal year 2008.

**East Central Ohio Special Education Regional Resource Center (ECOSERRC)**

ECOSERRC is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECO-SERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the Educational Service Center and the ECO-SERRC is not financially dependent upon the continued participation of the Educational Service Center. The Educational Service Center does not maintain an equity interest in or financial responsibility for the ECO-SERRC. As of July 1, 2008 ECO-SERRC ceased operations.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**8. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Educational Regional Service System Region 12 (ERSS)**

The Educational Service Center participates in the Educational Regional Service System Region 12, a jointly governed organization consisting of educational entities within Belmont, Carroll, Coshocton, Guernsey, Harrison, Holmes, Jefferson, Monroe, Muskingum, Noble and Tuscarawas counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is a policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council.

**9. PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pools**

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

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

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

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

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**9. PUBLIC ENTITY POOLS (Continued)**

**A. Insurance Purchasing Pools (Continued)**

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

**B. Risk Sharing, Claims Servicing, and Insurance Purchasing 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 risk-sharing, claims servicing, and insurance purchasing pool comprised of eighty-four members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$100,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$400,000, and all claims between the deductible and the \$400,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$400,000, stop loss coverage is purchased, as well as for annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services. The plan also purchases fully insured life insurance for plan participants provided by Met Life.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**10. CONTINGENCIES**

**Grants**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2008.

**Litigation**

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

**11. FINANCIAL DIFFICULTIES**

During fiscal year 2008, the Educational Service Center had difficulty meeting payroll obligations as well as general obligations. The General Fund revenues decreased by \$157,547 and expenditures increased by \$117,159 thereby reducing the General Fund cash balance from the July 1, 2007 balance of \$149,171 to a negative cash balance of \$(19,403) at June 30, 2008.

During 2007, the Belmont Educational Service Center had various meetings with Jefferson County Educational Service Center to merge into one consolidated Educational Service Center to be effective July 1, 2008. Due to the impending merger, the Belmont County Educational Service Center Governing Board had plans to address some direct operating costs for fiscal year 2008 as part of the merger. Around January 2008, the Jefferson County Educational Service Center tabled all discussions to merge with Belmont County Educational Service Center. Due to the failure of a possible merger that was to be effective July 1, 2008, the Governing Board was forced to address operating cost issues for fiscal year 2008 as a stand-alone Educational Service Center. This unanticipated event hampered the Governing Board's ability to act effectively for fiscal year 2008.

The Belmont Educational Service Center Governing Board has met various times throughout fiscal year 2008 with the local school districts to brainstorm on ways to cut costs for fiscal year 2008 and beyond. The Educational Service Center is limited in their ability to raise fees, for most local school districts are facing their own fiscal problems and indicated they would probably have to reduce services if the Educational Service Center's costs were increased and passed to the local school districts. In addition, the local school districts had no immediate plans on increasing services from the Educational Service Center.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**11. FINANCIAL DIFFICULTIES (Continued)**

The Governing Board has implemented various cost savings measures for fiscal year 2009 including:

- The Governing Board and employees now share the cost of health insurance. The Governing Board implemented an 80/20 plan for medical and 90/10 plan for vision and dental.
- The Educational Service Center implemented supervisors in the schools and payment is made by the local School Districts.
- The Governing Board reduced mileage reimbursement to \$.35/mile.
- The Governing Board raised the administrative fee charged to local schools by 5%.
- Some operating costs have been charged back to the local School Districts.
- The attendance officer will be a grant-funded position for fiscal year 2009.
- All employees have a salary freeze for fiscal year 2009.
- The Governing Board has met and had discussions with Jefferson County Educational Service Center, Ohio Valley Educational Service Center and the Tuscarawas-Carroll-Harrison Educational Service Center concerning a possible merger.



# Mary Taylor, CPA

Auditor of State

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

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

To the Governing Board:

We have audited the financial statements of the Belmont County Educational Service Center, Belmont County, Ohio (the Educational Service Center), as of and for the year ended June 30, 2008, and have issued our report thereon dated March 11, 2009, wherein we noted the Educational Service Center prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. Further, we noted the Educational Service Center has unpaid audit fees of \$3,916 and is experiencing financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

We consider findings 2008-002 and 2008-2003 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

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

We also noted a certain internal control matter that we reported to the Educational Service Center's management in a separate letter dated March 11, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Educational Service Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Educational Service Center's management in a separate letter dated March 11, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

March 11, 2009

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Noncompliance Citation**

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

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

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

**Officials' Response:**

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

**FINDING NUMBER 2008-002**

**Significant Deficiency**

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

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

The Educational Service Center did not certify the availability of funds prior to purchase commitment for 20% of the expenditures tested. Additionally, then and now certifications were not issued for these expenditures.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2008-002 (Continued)**

**Significant Deficiency**

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

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

**Officials' Response:**

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

**FINDING NUMBER 2008-003**

**Significant Deficiency**

Money paid into a fund must be used only for the purposes for which the fund was established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of June 30, 2008, the General Fund had a deficit cash fund balance of \$19,403.

We recommend the Educational Service Center monitor fund balances to ensure monies from one fund are not utilized to pay the obligations of another fund.

**Officials' Response:**

District officials offered no response.

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER  
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Admin. Code Section 117-2-03(B) for not filing annual financial statements in accordance with generally accepted accounting principles.	No	Not corrected; Reissued as Finding Number 2008-001.
2007-002	Ohio Adm. Code Section 117-2-02(A) for not having effective control procedures in place to ensure the accuracy of receipt and disbursement postings.	Yes	Corrected
2007-003	Not properly certifying the availability of funds prior to incurring an obligation for 10% of the transactions tested.	No	Not corrected. Reissued as Finding Number 2008-002.





**Mary Taylor, CPA**  
Auditor of State

**BELMONT COUNTY EDUCATIONAL SERVICE CENTER**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 14, 2009**