



**BROWN COUNTY EDUCATIONAL SERVICE CENTER
BROWN COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**BROWN COUNTY EDUCATIONAL SERVICE CENTER
BROWN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Brown County Educational Service Center
Brown County
325 West State Street
Georgetown, Ohio 45121

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Brown County Educational Service Center, Brown County, Ohio (the Educational Service Center), as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Brown County Educational Service Center, Brown County, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Notes 8, 13, and 22 to the general-purpose financial statements, the Southern Hills Joint Vocational School was included as a blended component unit in the Educational Service Center's financial statements for the fiscal year ended June 30, 2000. Fund equity and account group balances have been restated from amounts previously reported as of June 30, 1999.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2001, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

January 23, 2001

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**Brown County Educational Service Center
Brown County**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

| | Governmental Fund Types | | |
|--|-------------------------|--------------------|---------------------|
| | General | Special Revenue | Capital Projects |
| <u>Assets and Other Debits:</u> | | | |
| <u>Assets:</u> | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,458,698 | \$1,902,450 | \$1,247,815 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 0 | 0 |
| Receivables: | | | |
| Taxes | 0 | 1,583,776 | 121,309 |
| Accounts | 0 | 116 | 0 |
| Intergovernmental | 53,638 | 13,613 | 0 |
| Accrued Interest | 0 | 54,901 | 0 |
| Interfund Receivable | 0 | 50,857 | 0 |
| Prepaid Items | 3,255 | 9,556 | 0 |
| Inventory Held for Resale | 0 | 0 | 0 |
| Materials and Supplies Inventory | 46,137 | 38,324 | 0 |
| Restricted Assets: | | | |
| Equity in Pooled Cash and Cash Equivalents | 0 | 58,107 | 0 |
| Fixed Assets (Net, where applicable, of Accumulated Depreciation) | 0 | 0 | 0 |
| <u>Other Debits:</u> | | | |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 |
| Total Assets and Other Debits | \$1,561,728 | \$3,711,700 | \$1,369,124 |

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$655,332 | \$21,569 | \$0 | \$0 | \$5,285,864 |
| 0 | 423,625 | 0 | 0 | 423,625 |
| 0 | 0 | 0 | 0 | 1,705,085 |
| 1,908 | 0 | 0 | 0 | 2,024 |
| 1,600 | 0 | 0 | 0 | 68,851 |
| 2,169 | 0 | 0 | 0 | 57,070 |
| 0 | 0 | 0 | 0 | 50,857 |
| 0 | 0 | 0 | 0 | 12,811 |
| 3,947 | 0 | 0 | 0 | 3,947 |
| 1,444 | 0 | 0 | 0 | 85,905 |
| 0 | 0 | 0 | 0 | 58,107 |
| 14,280 | 0 | 8,710,536 | 0 | 8,724,816 |
| 0 | 0 | 0 | 362,365 | 362,365 |
| <u>\$680,680</u> | <u>\$445,194</u> | <u>\$8,710,536</u> | <u>\$362,365</u> | <u>\$16,841,327</u> |

(continued)

**Brown County Educational Service Center
Brown County**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)**

| | Governmental Fund Types | | |
|---|-------------------------|--------------------|---------------------|
| | General | Special Revenue | Capital Projects |
| <u>Liabilities:</u> | | | |
| <u>Fund Equity and Other Credits:</u> | | | |
| <u>Liabilities:</u> | | | |
| Accounts Payable | \$75 | \$18,296 | \$6,404 |
| Contracts Payable | 0 | 0 | 3,295 |
| Accrued Wages and Benefits | 134,105 | 366,060 | 0 |
| Compensated Absences Payable | 19,024 | 10,892 | 0 |
| Interfund Payable | 0 | 39,700 | 0 |
| Intergovernmental Payable | 161,019 | 12,602 | 88 |
| Deferred Revenue | 29,411 | 1,407,446 | 105,774 |
| Undistributed Monies | 0 | 0 | 0 |
| | 343,634 | 1,854,996 | 115,561 |
| Total Liabilities | | | |
| <u>Fund Equity and Other Credits:</u> | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 |
| Retained Earnings: | | | |
| Unreserved | 0 | 0 | 0 |
| Fund Balance: | | | |
| Reserved for Encumbrances | 40,338 | 111,095 | 33,216 |
| Reserved for Inventory | 46,137 | 38,324 | 0 |
| Reserved for Property Taxes | 0 | 176,330 | 15,535 |
| Reserved for Budget Stabilization | 0 | 58,107 | 0 |
| Unreserved: | | | |
| Undesignated | 1,131,619 | 1,472,848 | 1,204,812 |
| | 1,218,094 | 1,856,704 | 1,253,563 |
| Total Fund Equity and Other Credits | | | |
| | 1,218,094 | 1,856,704 | 1,253,563 |
| Total Liabilities, Fund Equity and Other Credits | \$1,561,728 | \$3,711,700 | \$1,369,124 |

See accompanying notes to the financial statements.

| Proprietary Fund Type | Fiduciary Fund Types | Account Groups | | Totals (Memorandum Only) |
|--------------------------|-------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$1,121 | \$0 | \$0 | \$0 | \$25,896 |
| 0 | 0 | 0 | 0 | 3,295 |
| 17,760 | 0 | 0 | 0 | 517,925 |
| 15,787 | 0 | 0 | 346,220 | 391,923 |
| 10,950 | 207 | 0 | 0 | 50,857 |
| 1,114 | 0 | 0 | 16,145 | 190,968 |
| 1,967 | 0 | 0 | 0 | 1,544,598 |
| 0 | 441,229 | 0 | 0 | 441,229 |
| 48,699 | 441,436 | 0 | 362,365 | 3,166,691 |
| 0 | 0 | 8,710,536 | 0 | 8,710,536 |
| 631,981 | 0 | 0 | 0 | 631,981 |
| 0 | 0 | 0 | 0 | 184,649 |
| 0 | 0 | 0 | 0 | 84,461 |
| 0 | 0 | 0 | 0 | 191,865 |
| 0 | 0 | 0 | 0 | 58,107 |
| 0 | 3,758 | 0 | 0 | 3,813,037 |
| 631,981 | 3,758 | 8,710,536 | 0 | 13,674,636 |
| <u>\$680,680</u> | <u>\$445,194</u> | <u>\$8,710,536</u> | <u>\$362,365</u> | <u>\$16,841,327</u> |

**Brown County Educational Service Center
Brown County**

**Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000**

| | Governmental Fund Types | | | Fiduciary | Totals |
|--|-------------------------|--------------------|---------------------|---------------------|----------------------|
| | General | Special Revenue | Capital Projects | Expendable Trust | (Memorandum Only) |
| <u>Revenues:</u> | | | | | |
| Property Taxes | \$0 | \$1,595,994 | \$135,124 | \$0 | \$1,731,118 |
| Intergovernmental | 1,050,000 | 2,952,131 | 121,073 | 0 | 4,123,204 |
| Interest | 85,865 | 106,134 | 94,674 | 0 | 286,673 |
| Tuition and Fees | 73,821 | 4,140 | 0 | 0 | 77,961 |
| Rent | 0 | 7,246 | 0 | 0 | 7,246 |
| Extracurricular Activities | 0 | 0 | 30,000 | 0 | 30,000 |
| Gifts and Donations | 13,618 | 0 | 0 | 1,250 | 14,868 |
| Customer Services | 1,033,771 | 26,542 | 0 | 0 | 1,060,313 |
| Miscellaneous | 0 | 3,420 | 0 | 959 | 4,379 |
| Total Revenues | 2,257,075 | 4,695,607 | 380,871 | 2,209 | 7,335,762 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 8,855 | 256,568 | 0 | 0 | 265,423 |
| Special | 798,352 | 15,423 | 0 | 0 | 813,775 |
| Vocational | 48,800 | 2,488,490 | 0 | 0 | 2,537,290 |
| Adult/Continuing | 0 | 10,096 | 0 | 0 | 10,096 |
| Support Services: | | | | | |
| Pupils | 298,887 | 339,661 | 0 | 0 | 638,548 |
| Instructional Staff | 334,648 | 151,084 | 0 | 0 | 485,732 |
| Board of Education | 17,486 | 34,902 | 0 | 0 | 52,388 |
| Administration | 186,887 | 297,876 | 0 | 0 | 484,763 |
| Fiscal | 120,108 | 244,382 | 0 | 0 | 364,490 |
| Business | 0 | 5,345 | 0 | 0 | 5,345 |
| Operation and Maintenance of Plant | 11,643 | 418,922 | 0 | 0 | 430,565 |
| Pupil Transportation | 0 | 13,419 | 0 | 0 | 13,419 |
| Central | 150,928 | 125,878 | 0 | 0 | 276,806 |
| Non-Instructional Services | 27,509 | 3,641 | 0 | 0 | 31,150 |
| Extracurricular Activities | 0 | 4,347 | 0 | 750 | 5,097 |
| Intergovernmental | 43,300 | 0 | 0 | 0 | 43,300 |
| Capital Outlay | 0 | 17,789 | 382,925 | 0 | 400,714 |
| Total Expenditures | 2,047,403 | 4,427,823 | 382,925 | 750 | 6,858,901 |
| Excess of Revenues Over (Under) Expenditures | 209,672 | 267,784 | (2,054) | 1,459 | 476,861 |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Proceeds from Sale of Fixed Assets | 0 | 4,838 | 0 | 0 | 4,838 |
| Operating Transfers In | 0 | 2,595 | 0 | 0 | 2,595 |
| Operating Transfers Out | 0 | (86,170) | 0 | 0 | (86,170) |
| Total Other Financing Sources (Uses) | 0 | (78,737) | 0 | 0 | (78,737) |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 209,672 | 189,047 | (2,054) | 1,459 | 398,124 |
| Fund Balances at Beginning of Year (Restated - Note 22) | 1,004,002 | 1,656,787 | 1,255,617 | 2,299 | 3,918,705 |
| Increase in Reserve for Inventory | 4,420 | 10,870 | 0 | 0 | 15,290 |
| Fund Balances at End of Year | \$1,218,094 | \$1,856,704 | \$1,253,563 | \$3,758 | \$4,332,119 |

See accompanying notes to the financial statements

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**Brown County Educational Service Center
Brown County**

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2000**

| | General Fund | | | Special Revenue Funds | | |
|---|--------------------|--------------------|----------------------------------|-----------------------|--------------------|----------------------------------|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | | | | |
| Property Taxes | \$0 | \$0 | \$0 | \$1,623,962 | \$1,654,303 | \$30,341 |
| Intergovernmental | 893,617 | 1,015,143 | 121,526 | 3,275,038 | 2,990,790 | (284,248) |
| Interest | 60,000 | 85,865 | 25,865 | 83,000 | 91,003 | 8,003 |
| Tuition and Fees | 92,370 | 89,057 | (3,313) | 4,000 | 4,040 | 40 |
| Rent | 0 | 0 | 0 | 7,200 | 7,246 | 46 |
| Extracurricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Gifts and Donations | 6,942 | 13,618 | 6,676 | 0 | 0 | 0 |
| Customer Services | 1,012,336 | 1,025,733 | 13,397 | 39,453 | 39,431 | (22) |
| Miscellaneous | 0 | 0 | 0 | 500 | 621 | 121 |
| Total Revenues | 2,065,265 | 2,229,416 | 164,151 | 5,033,153 | 4,787,434 | (245,719) |
| <u>Expenditures:</u> | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 12,883 | 12,883 | 0 | 342,919 | 310,030 | 32,889 |
| Special | 807,449 | 806,408 | 1,041 | 15,423 | 15,423 | 0 |
| Vocational | 49,962 | 49,451 | 511 | 2,520,743 | 2,454,927 | 65,816 |
| Adult/Continuing | 0 | 0 | 0 | 10,438 | 10,438 | 0 |
| Support Services: | | | | | | |
| Pupils | 306,469 | 280,814 | 25,655 | 395,699 | 367,500 | 28,199 |
| Instructional Staff | 335,935 | 334,098 | 1,837 | 172,985 | 147,704 | 25,281 |
| Board of Education | 17,238 | 17,238 | 0 | 37,004 | 23,387 | 13,617 |
| Administration | 183,247 | 183,247 | 0 | 297,488 | 291,735 | 5,753 |
| Fiscal | 124,032 | 121,032 | 3,000 | 255,861 | 246,752 | 9,109 |
| Business | 0 | 0 | 0 | 5,278 | 5,020 | 258 |
| Operation and Maintenance of Plant | 11,594 | 11,594 | 0 | 460,664 | 427,416 | 33,248 |
| Pupil Transportation | 0 | 0 | 0 | 18,952 | 15,154 | 3,798 |
| Central | 182,802 | 150,628 | 32,174 | 167,188 | 128,885 | 38,303 |
| Non-Instructional Services | 67,847 | 67,847 | 0 | 4,500 | 3,645 | 855 |
| Extracurricular Activities | 0 | 0 | 0 | 872 | 872 | 0 |
| Capital Outlay | 0 | 0 | 0 | 35,579 | 17,789 | 17,790 |
| Total Expenditures | 2,099,458 | 2,035,240 | 64,218 | 4,741,593 | 4,466,677 | 274,916 |
| Excess of Revenues Over (Under) Expenditures | (34,193) | 194,176 | 228,369 | 291,560 | 320,757 | 29,197 |
| <u>Other Financing Sources (Uses):</u> | | | | | | |
| Proceeds from Sale of Fixed Assets | 0 | 0 | 0 | 4,000 | 4,838 | 838 |
| Refund of Prior Year Expenditures | 0 | 0 | 0 | 2,239 | 2,899 | 660 |
| Refund of Prior Year Receipts | 0 | 0 | 0 | (1,000) | 0 | 1,000 |
| Advances In | 0 | 0 | 0 | 109,500 | 109,675 | 175 |
| Advances Out | 0 | 0 | 0 | (111,000) | (109,000) | 2,000 |
| Other Financing Sources | 0 | 0 | 0 | (10) | 0 | 10 |
| Operating Transfers In | 0 | 0 | 0 | 1,911 | 2,595 | 684 |
| Operating Transfers Out | 0 | 0 | 0 | (93,015) | (90,839) | 2,176 |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | (87,375) | (79,832) | 7,543 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (34,193) | 194,176 | 228,369 | 204,185 | 240,925 | 36,740 |
| Fund Balances at Beginning of Year (Restated - Note 22) | 1,224,184 | 1,224,184 | 0 | 1,448,432 | 1,448,432 | 0 |
| Prior Year Encumbrances Appropriated | 0 | 0 | 0 | 132,174 | 132,174 | 0 |
| Fund Balances at End of Year | \$1,189,991 | \$1,418,360 | \$228,369 | \$1,784,791 | \$1,821,531 | \$36,740 |

See accompanying notes to the financial statements

| Capital Projects Funds | | | Expendable Trust Fund | | | Totals (Memorandum Only) | | |
|------------------------|--------------------|----------------------------------|-----------------------|----------------|----------------------------------|--------------------------|--------------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$135,514 | \$137,766 | \$2,252 | \$0 | \$0 | \$0 | \$1,759,476 | \$1,792,069 | \$32,593 |
| 156,690 | 123,073 | (33,617) | 0 | 0 | 0 | 4,325,345 | 4,129,006 | (196,339) |
| 83,700 | 83,702 | 2 | 0 | 0 | 0 | 226,700 | 260,570 | 33,870 |
| 0 | 0 | 0 | 0 | 0 | 0 | 96,370 | 93,097 | (3,273) |
| 0 | 0 | 0 | 0 | 0 | 0 | 7,200 | 7,246 | 46 |
| 30,000 | 30,000 | 0 | 0 | 0 | 0 | 30,000 | 30,000 | 0 |
| 0 | 0 | 0 | 1,400 | 1,250 | (150) | 8,342 | 14,868 | 6,526 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,051,789 | 1,065,164 | 13,375 |
| 0 | 0 | 0 | 915 | 959 | 44 | 1,415 | 1,580 | 165 |
| <u>405,904</u> | <u>374,541</u> | <u>(31,363)</u> | <u>2,315</u> | <u>2,209</u> | <u>(106)</u> | <u>7,506,637</u> | <u>7,393,600</u> | <u>(113,037)</u> |
| 14,900 | 13,760 | 1,140 | 0 | 0 | 0 | 370,702 | 336,673 | 34,029 |
| 1,000 | 0 | 1,000 | 0 | 0 | 0 | 823,872 | 821,831 | 2,041 |
| 447,027 | 142,079 | 304,948 | 0 | 0 | 0 | 3,017,732 | 2,646,457 | 371,275 |
| 3,238 | 0 | 3,238 | 0 | 0 | 0 | 13,676 | 10,438 | 3,238 |
| 0 | 0 | 0 | 0 | 0 | 0 | 702,168 | 648,314 | 53,854 |
| 99,708 | 93,433 | 6,275 | 0 | 0 | 0 | 608,628 | 575,235 | 33,393 |
| 0 | 0 | 0 | 0 | 0 | 0 | 54,242 | 40,625 | 13,617 |
| 0 | 0 | 0 | 0 | 0 | 0 | 480,735 | 474,982 | 5,753 |
| 6,528 | 5,303 | 1,225 | 0 | 0 | 0 | 386,421 | 373,087 | 13,334 |
| 0 | 0 | 0 | 0 | 0 | 0 | 5,278 | 5,020 | 258 |
| 58,208 | 48,958 | 9,250 | 0 | 0 | 0 | 530,466 | 487,968 | 42,498 |
| 0 | 0 | 0 | 0 | 0 | 0 | 18,952 | 15,154 | 3,798 |
| 0 | 0 | 0 | 0 | 0 | 0 | 349,990 | 279,513 | 70,477 |
| 0 | 0 | 0 | 0 | 0 | 0 | 72,347 | 71,492 | 855 |
| 0 | 0 | 0 | 4,035 | 750 | 3,285 | 4,907 | 1,622 | 3,285 |
| 314,699 | 110,471 | 204,228 | 0 | 0 | 0 | 350,278 | 128,260 | 222,018 |
| <u>945,308</u> | <u>414,004</u> | <u>531,304</u> | <u>4,035</u> | <u>750</u> | <u>3,285</u> | <u>7,790,394</u> | <u>6,916,671</u> | <u>873,723</u> |
| <u>(539,404)</u> | <u>(39,463)</u> | <u>499,941</u> | <u>(1,720)</u> | <u>1,459</u> | <u>3,179</u> | <u>(283,757)</u> | <u>476,929</u> | <u>(986,760)</u> |
| 0 | 0 | 0 | 0 | 0 | 0 | 4,000 | 4,838 | 838 |
| 0 | 0 | 0 | 0 | 0 | 0 | 2,239 | 2,899 | 660 |
| 0 | 0 | 0 | 0 | 0 | 0 | (1,000) | 0 | 1,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | 109,500 | 109,675 | 175 |
| 0 | 0 | 0 | 0 | 0 | 0 | (111,000) | (109,000) | 2,000 |
| 0 | 0 | 0 | 0 | 0 | 0 | (10) | 0 | 10 |
| 0 | 0 | 0 | 0 | 0 | 0 | 1,911 | 2,595 | 684 |
| 0 | 0 | 0 | 0 | 0 | 0 | (93,015) | (90,839) | 2,176 |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(87,375)</u> | <u>(79,832)</u> | <u>7,543</u> |
| (539,404) | (39,463) | 499,941 | (1,720) | 1,459 | 3,179 | (371,132) | 397,097 | 768,229 |
| 1,169,461 | 1,169,461 | 0 | 2,299 | 2,299 | 0 | 3,844,376 | 3,844,376 | 0 |
| 76,918 | 76,918 | 0 | 0 | 0 | 0 | 209,092 | 209,092 | 0 |
| <u>\$706,975</u> | <u>\$1,206,916</u> | <u>\$499,941</u> | <u>\$579</u> | <u>\$3,758</u> | <u>\$3,179</u> | <u>\$3,682,336</u> | <u>\$4,450,565</u> | <u>\$768,229</u> |

**Brown County Educational Service Center
Brown County**

**Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000**

| | Enterprise |
|--|------------|
| <u>Operating Revenues:</u> | |
| Tuition | \$51,611 |
| Sales | 89,143 |
| Charges for Services | 91,480 |
| Other | 2,648 |
| Total Operating Revenues | 234,882 |
| <u>Operating Expenses:</u> | |
| Salaries | 145,900 |
| Fringe Benefits | 64,441 |
| Purchased Services | 13,946 |
| Materials and Supplies | 134,010 |
| Cost of Sales | 40,127 |
| Depreciation | 2,885 |
| Other | 112 |
| Total Operating Expenses | 401,421 |
| Operating Loss | (166,539) |
| <u>Non-Operating Revenues:</u> | |
| Federal Donated Commodities | 7,880 |
| Federal and State Subsidies | 159,851 |
| Interest | 10,687 |
| Total Non-Operating Revenues | 178,418 |
| Income Before Operating Transfers | 11,879 |
| Operating Transfers-In | 85,900 |
| Operating Transfers-Out | (2,325) |
| Net Income | 95,454 |
| Retained Earnings at Beginning of Year (Restated - Note 22) | 536,527 |
| Retained Earnings at End of Year | \$631,981 |

See accompanying notes to the financial statements.

**Brown County Educational Service Center
Brown County**

**Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000**

| | Enterprise Funds | | |
|---|-------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | |
| Tuition | \$50,000 | \$55,191 | \$5,191 |
| Sales | 90,030 | 89,143 | (887) |
| Interest | 8,000 | 8,518 | 518 |
| Charges for Services | 90,764 | 89,880 | (884) |
| Federal and State Subsidies | 153,830 | 159,851 | 6,021 |
| Other | 790 | 740 | (50) |
| Total Revenues | <u>393,414</u> | <u>403,323</u> | <u>9,909</u> |
| <u>Expenses:</u> | | | |
| Salaries | 218,190 | 135,194 | 82,996 |
| Fringe Benefits | 86,264 | 64,950 | 21,314 |
| Purchased Services | 24,084 | 14,591 | 9,493 |
| Materials and Supplies | 221,836 | 169,289 | 52,547 |
| Other | 225 | 52 | 173 |
| Capital Outlay | 56,600 | 53,381 | 3,219 |
| Total Expenses | <u>607,199</u> | <u>437,457</u> | <u>169,742</u> |
| Excess of Revenues Over (Under) Expenses | (213,785) | (34,134) | 179,651 |
| Operating Transfers In | 95,000 | 85,900 | (9,100) |
| Operating Transfers Out | (7,325) | (2,325) | 5,000 |
| Advances In | 0 | 300 | 300 |
| Advances Out | (10,975) | (875) | 10,100 |
| Excess of Revenues Over (Under) Expenses, Transfers and Advances | (137,085) | 48,866 | 185,951 |
| Fund Equity at Beginning of Year (Restated - Note 22) | 546,075 | 546,075 | 0 |
| Prior Year Encumbrances Appropriated | <u>5,192</u> | <u>5,192</u> | <u>0</u> |
| Fund Equity at End of Year | <u>\$414,182</u> | <u>\$600,133</u> | <u>\$185,951</u> |

See accompanying notes to the financial statements.

**Brown County Educational Service Center
Brown County**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000**

| | Enterprise |
|--|--------------------|
| <u>Increase (Decrease) in Cash and Cash Equivalents:</u> | |
| <u>Cash Flows from Operating Activities:</u> | |
| Cash Received from Customers | \$179,023 |
| Cash Received from Tuition Payments | 55,191 |
| Cash Received from Other Operating Sources | 740 |
| Cash Payments to Suppliers for Goods and Services | (180,987) |
| Cash Payments to Employees for Services | (135,194) |
| Cash Payments for Employee Benefits | (64,950) |
| Cash Payments for Other Operating Uses | (52) |
| <i>Net Cash Used for Operating Activities</i> | <i>(146,229)</i> |
| <u>Cash Flows from Noncapital Financing Activities:</u> | |
| Operating Grants Received | 159,851 |
| Short-Term Loans from Other Funds | 300 |
| Repayment of Short-Term Loans | (875) |
| Operating Transfers In | 85,900 |
| Operating Transfers Out | (2,325) |
| <i>Net Cash Provided by Noncapital Financing Activities</i> | <i>242,851</i> |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | |
| Payments for Capital Acquisitions | (1,075) |
| <u>Cash Flows from Investing Activities:</u> | |
| Interest on Investments | 8,518 |
| <i>Net Increase in Cash and Cash Equivalents</i> | 104,065 |
| <i>Cash and Cash Equivalents at Beginning of Year</i> | <i>551,267</i> |
| <i>Cash and Cash Equivalents at End of Year</i> | <i>\$655,332</i> |
| <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u> | |
| Operating Loss | (\$171,278) |
| <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u> | |
| Depreciation | 2,885 |
| Donated Commodities Used During Year | 7,880 |
| <u>Changes in Assets and Liabilities:</u> | |
| Decrease in Accounts Receivable | 1,672 |
| Increase in Ingovernmental Receivable | (1,600) |
| Decrease in Inventory Held for Resale | 150 |
| Decrease in Materials and Supplies Inventory | 289 |
| Decrease in Accounts Payable | (1,164) |
| Increase in Accrued Wages and Benefits | 10,919 |
| Increase in Compensated Absences | 4,162 |
| Decrease in Intergovernmental Payable | (144) |
| <i>Total Adjustments</i> | <i>25,049</i> |
| <i>Net Cash Used for Operating Activities</i> | <i>(\$146,229)</i> |

See accompanying notes to the financial statements.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000**

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY

The Brown County Educational Service Center (the "Educational Service Center") operates under a Governing Board as defined by Section 3313.01 of the Ohio Revised Code. The Brown County Governing Board was chartered to operate by the State Board of Education on June 10, 1968. The Governing Board consists of five members elected at large for staggered four year terms. The Educational Service Center is an administrative entity providing supervision and certain other services to local school districts located in Brown County.

The Educational Service Center employs 51 certified and 31 classified staff members, and is responsible for the public education to residents of the County.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading.

The primary government of the Educational Service Center consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service Center. For the Brown County Educational Service Center, this includes general operations, preschool, as well as teacher and student developmental activities.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. The Educational Service Center includes the Southern Hills Joint Vocational School as a blended component unit due to the fact that the Boards are substantially the same. The five member Southern Hills Joint Vocational School Board of Education includes the three members of the Board of Education of the Brown County Educational Service Center.

The Council for Vocational Education which performs activities within the Educational Service Center's boundaries for the benefit of its residents is excluded from the accompanying financial statements because the Educational Service Center is not financially accountable for this entity nor is it fiscally dependent on the Educational Service Center.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY (Continued)

The Educational Service Center is associated with four organizations, two of which are defined as jointly governed organizations, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Brown County Schools Benefits Consortium. The Educational Service Center serves as the fiscal agent for the Brown County Schools Benefits Consortium which is presented as an agency fund. These organizations are presented in Notes 16, 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Brown County Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the Educational Service Center are financed. The acquisition, use and balances of the Educational Service Center's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds.

The following are the Educational Service Center's governmental fund types:

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Proprietary Fund Type:

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

Enterprise Funds - Enterprise funds are used to account for Educational Service Center activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

funds. For the Educational Service Center these include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Educational Service Center, other than those accounted for in the proprietary or trust funds.

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

B. Measurement Focus and Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The Educational Service Center does not have contributed capital. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, grants, investment earnings, tuition, student fees and charges for services.

The Educational Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

1. Brown Educational Service Center

In the first quarter of each fiscal year, the Educational Service Center summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the State for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Department of Education. Part (B) includes anticipated revenue by sources of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

2. Southern Hills Joint Vocational School

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been given the authority to allocate appropriations among objects. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$4,669 to the student activities agency fund from the general fund. Also, advances-in and advances-out do not equal on a budgetary basis by \$100 due to an advance from the student activities agency fund to the general fund.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Brown County Budget Commission for rate determination.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources:

1. Brown County Educational Service Center

After the start of the fiscal year, estimated resources are revised to include any unencumbered balances from the proceeding 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 if projected increases or decreases in revenue are identified by the Treasurer or additional grant programs are approved by the Board.

2. Southern Hills Joint Vocational School

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the Educational Service Center must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Educational Service Center Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

Appropriations:

1. Brown County Educational Service Center

Annual appropriations are enacted by the Educational Service Center at the fund, function, and object level of expenditures. Budgetary integration is employed as a management control device during the year for all funds. During the year, monthly supplemental appropriations were enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

2. Southern Hills Joint Vocational School

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission 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 must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. 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 by the Board of Education, during the year for all funds other than agency funds, at the object level, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the Educational Service Center except cash held as fiscal agent for the Brown County Benefits Consortium, is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. Cash

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

received and held as fiscal agent for the Brown County Schools Benefits Consortium is held in separate bank accounts and is presented as "Cash and Cash Equivalents in Segregated Accounts" on the balance sheet.

During fiscal year 2000 investments were limited to nonnegotiable certificates of deposit, repurchase agreements, federal agency securities, commercial paper and STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The Educational Service Center has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the general, special revenue, capital projects and enterprise funds. Interest revenue credited to the general, special revenue, capital projects and enterprise funds during fiscal year 2000 amounted to \$85,865, \$106,134, \$94,674, and \$10,687 respectively which includes \$12,565, \$68,994 and \$59,453 assigned from other Educational Service Center funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments which can be easily liquidated or with original maturities of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

food, purchased food, non-food supplies, and school supplies held for resale, and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten to twenty years. The Educational Service Center does not have any infrastructure.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
Summer Food Program

Non-Reimbursable Grants

Special Revenue Funds

Career Development
Early Childhood Education
Education Management Information Systems
Public School Preschool
Title VI
Vocational Education Planning District
Work and Family Life Grant
Single Parent
Adult Basic Literacy Education
Vocational Education Equipment
Professional Development
School to Work
Wellness Block Grant
Excellence in Education
Education Health Act - Preschool Grant
Eisenhower Math and Science Grant
Preventative Health and Health Services Block Grant
Drug Free School Grant
School Health Education
EHA Preschool Grant for the Handicapped
Education Management Information Systems
Entry Year Program
Identification Program
Technical Assistance Progra

Capital Projects Fund

SchoolNet

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to 56 percent of governmental fund revenue during the 2000 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees’ wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year end are considered not to have used current available financial resources.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

L. Interfund Transactions

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

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

M. Restricted Assets

Restricted assets in the special revenue funds represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the Joint Vocational School to create a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

N. Fund Balance Reserves

The Educational Service Center reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventory of supplies, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

O. Estimates

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Undistributed Monies

These funds represent undistributed monies held by the Educational Service Center as fiscal agent for the Brown County Schools Benefits Consortium which will be distributed to third parties upon their request.

Q. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

1. Accountability

Fund balances at June 30, 2000, included the following individual fund deficits:

| <u>Special Revenue Funds</u> | <u>Amounts</u> |
|--------------------------------|----------------|
| Adult Basic Literacy Education | \$20 |
| Title VI | 978 |

The deficits in these funds are due to adjustments for accrued liabilities, and the timing of grant awards. The general fund is liable for these deficits and provides operating transfers when cash is required, not when accruals occur.

2. Compliance

The Educational Service Center did not certify the availability of funds before making all expenditures.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

Changes in Fund Equity - Budget and Actual (Budget Basis)-Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

| | General | Special Revenue | Capital Projects | Expendable Trust |
|----------------------|-----------|--------------------|---------------------|---------------------|
| GAAP Basis | \$209,672 | \$189,047 | (\$2,054) | \$1,459 |
| Adjustments: | | | | |
| Revenue Accruals | 15,641 | 94,726 | (6,330) | 0 |
| Expenditure Accruals | 9,201 | 100,958 | 9,787 | 0 |
| Transfers | 0 | (4,669) | 0 | 0 |
| Advances | 0 | 675 | 0 | 0 |
| Encumbrances | (40,338) | (139,812) | (40,866) | 0 |
| Budget Basis | \$194,176 | \$240,925 | (\$39,463) | \$1,459 |

Net Income/Excess of Revenues Over
Expenses, Transfers and Advances
Proprietary Fund Type

| | Enterprise |
|----------------------|------------|
| GAAP Basis | \$95,454 |
| Adjustments: | |
| Revenue Accruals | (9,977) |
| Expense Accruals | 14,460 |
| Capital Outlay | 1,818 |
| Depreciation Expense | 2,885 |
| Advances | (575) |
| Encumbrances | (55,199) |
| Budget Basis | \$48,866 |

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the Educational Service Center's deposits is provided by the Federal Deposit Insurance Corporation (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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 5 - DEPOSITS 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. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase 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, debt interests 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 Educational Service Center, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the Educational Service Center had \$550 in undeposited cash on hand which is included on the balance sheet of the Educational Service Center as part of "equity in pooled cash and cash equivalents."

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Deposits At fiscal year end the carrying amount of the Educational Service Center's deposits was \$2,147,684 and the bank balance was \$2,677,770. Of the bank balance \$2,007,260 was covered by federal depository insurance and \$670,510 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments The Educational Service Center's investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. The Educational Service Center's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

| | Category 1 | Category 2 | Category 3 | Carrying/Fair Value |
|---|---------------|---------------|---------------|------------------------|
| Repurchase Agreement | \$0 | \$0 | \$287,867 | \$287,867 |
| STAR Ohio | 0 | 0 | 0 | 2,422,857 |
| Federal Home Loan Mortgage Corporation Bonds | 643,025 | 0 | 0 | 643,025 |
| Commercial Paper | 0 | 265,613 | 0 | 265,613 |
| Total | \$643,025 | \$265,613 | \$287,867 | \$3,619,362 |

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/ Deposits | Investments |
|--|---|-------------|
| GASB Statement No. 9 | \$5,767,596 | \$0 |
| Cash on Hand | (550) | 0 |
| Investments: | | |
| Repurchase Agreement | (287,867) | 287,867 |
| STAR Ohio | (2,422,857) | 2,422,857 |
| Federal Home Loan Mortgage Corporation | (643,025) | 643,025 |
| Commercial Paper | (265,613) | 265,613 |
| GASB Statement No. 3 | \$2,147,684 | \$3,619,362 |

NOTE 6 - PROPERTY TAXES

Property taxes for the Southern Hills Joint Vocational School District (blended component unit) are levied and assessed on a calendar year basis while the Educational Service Center fiscal year runs from July through June. First half tax collections are received by the Educational Service Center in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Southern Hills Joint Vocational School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 2000 taxes were collected are:

| | 1999 Second- Half Collections | | 2000 First- Half Collections | |
|---|----------------------------------|-----------------------|---------------------------------|-----------------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$374,019,750 | 82.52% | \$389,966,580 | 82.74% |
| Public Utility | 160,420 | 0.04% | 160,420 | 0.03% |
| Tangible Personal Property | <u>79,047,039</u> | <u>17.44%</u> | <u>81,209,663</u> | <u>17.23%</u> |
| Total Assessed Value | <u><u>\$453,227,209</u></u> | <u><u>100.00%</u></u> | <u><u>\$471,336,663</u></u> | <u><u>100.00%</u></u> |
| Tax rate per \$1,000 of assessed valuation | \$5.80 | | \$5.80 | |

The Southern Hills Joint Vocational School District receives property taxes from Brown and Highland Counties. The County Auditor periodically advances to the Southern Hills Joint Vocational School District its portion of the taxes collected. Second-half real property tax payments collected

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

by the County by June 30, 2000 are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$176,330 in the Special Revenue Fund, and \$15,535 in the Capital Projects Fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts, interest, interfund and intergovernmental grants and charges for services. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|-------------------------------------|------------------------|
| <u>General Fund:</u> | |
| Excess Costs | <u>\$53,638</u> |
| <u>Special Revenue Funds:</u> | |
| Fiscal Agent Fees | 2,199 |
| Building Use | 414 |
| Excess Costs | 10,000 |
| Wellness Block Grant | <u>1,000</u> |
| Total Special Revenue Funds | 13,613 |
| <u>Enterprise Funds:</u> | |
| Building Use | <u>1,600</u> |
| Total Intergovernmental Receivables | <u><u>\$68,851</u></u> |

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 8 - FIXED ASSETS

The Educational Service Center changed its reporting entity to include the Southern Hills Joint Vocational School as a blended component unit. The change in reporting had the following effect on the General Fixed Assets Account Group balances as they were previously reported as of June 30, 1999.

| Fund Type | Balance June 30, 1999 | Adjustments | Restated Balance July 1, 1999 |
|---------------------------------------|--------------------------|-------------|-------------------------------------|
| General Fixed Assets Account Group | \$347,818 | \$8,113,455 | \$8,461,273 |

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

| | |
|--------------------------------|-----------------|
| Furniture and Equipment | \$156,704 |
| Less: Accumulated Depreciation | (142,424) |
| Net Fixed Assets | <u>\$14,280</u> |

A summary of the changes in general fixed assets during fiscal year 2000 follows:

| Asset Category | Restated Balance at July 1, 1999 | Additions | Deletions | Balance at June 30, 2000 |
|--------------------------------------|---|------------------|------------------|--------------------------------|
| Land | \$407,830 | \$0 | \$0 | \$407,830 |
| Buildings and Improvements | 4,943,891 | 63,567 | 0 | 5,007,458 |
| Furniture, Fixtures and Equipment | 2,941,882 | 328,890 | 206,734 | 3,064,038 |
| Vehicles | 167,670 | 63,540 | 0 | 231,210 |
| Totals | <u>\$8,461,273</u> | <u>\$455,997</u> | <u>\$206,734</u> | <u>\$8,710,536</u> |

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 9 - RISK MANAGEMENT

1. Brown County Educational Service Center

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Professional liability is protected by the Nationwide Mutual Insurance Company with a \$5,000,000 aggregate limit.

The Ohio Casualty Group Insurance Company maintains a \$20,000 public official bond for the Treasurer. A \$5,000 blanket bond for other employees is also maintained by the Ohio Casualty Group Insurance Company.

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

2. Southern Hills Joint Vocational School

The Joint Vocational School 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 Joint Vocational School contracted with Nationwide Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Indiana Insurance and holds a \$1,000 deductible.

The Joint Vocational School's vehicles are covered by the Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction of coverage from the prior year.

For fiscal year 2000, the Educational Service Center and the Joint Vocational School participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling"

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 9 - RISK MANAGEMENT (Continued)

arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The Educational Service Center participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool (Note 18) consisting of seven districts. The Educational Service Center is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination, regardless of the date such claims were incurred.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 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, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$27,197, \$46,649 and \$47,063, respectively; 93 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$1,820 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group. The Southern Hills Joint Vocational School's contributions

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$26,094, \$34,473 and \$33,707, respectively, equal to the actual contributions for each fiscal year.

B. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$73,385, \$116,184 and \$150,514, respectively; 13 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$63,971 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds. The Joint Vocational School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$120,368, \$118,012 and \$190,026, respectively, equal to the actual contributions for each fiscal year.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two of the Educational Service Center's employees has elected Social Security. The Educational Service Center's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center and the Southern Hills Joint Vocational School, these amounts equaled \$97,847 and \$160,491, respectively for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. 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 was established at \$12,400. For the Educational Service Center and the Southern Hills Joint Vocational School, the amounts contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$54,305 and \$44,900, respectively.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per year, depending upon length of service. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

1. Brown County Educational Service Center

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the accumulation of the number of sick days. Upon retirement, payment is made for twenty-five percent of the employees' accumulated sick leave with a maximum payment being limited to 50 days.

2. Southern Hills Joint Vocational School

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 50 days for all personnel.

B. Other Employee Benefits

1. Brown County Educational Service Center

The Educational Service Center provides term life insurance and accidental death and dismemberment insurance to all of its full time employees through Coresource.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 12 - EMPLOYEE BENEFITS (Continued)

2. Southern Hills Joint Vocational School

The Southern Hills Joint Vocational School provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance is provided by the Joint Vocational School to all employees through CoreSource, Inc.

C. 125 Plan

The Educational Service Center provides its full time employees an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that year. Any monies not used by the end of the plan year are forfeited to the general fund. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each fiscal year beginning August 1 and ending July 31. This plan has been included as an agency fund and is administered by Business Plans.

NOTE 13 - LONG-TERM OBLIGATIONS

The Educational Service Center changed its' reporting entity to include the Southern Hills Joint Vocational School as a blended component unit. The change in reporting had the following effect on the General Long Term Obligations Account Group balances as they were previously reported as of June 30, 1999.

| Fund Type | Balance June 30, 1999 | Adjustments | Restated Balance July 1, 1999 |
|--|--------------------------|-------------|-------------------------------------|
| General Long Term Obligations Account Group | \$138,208 | \$153,516 | \$291,724 |

The changes in the Educational Service Center's long-term obligations during the fiscal year 2000 were as follows:

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

| | Restated Principal Outstanding 7/1/99 | Additions | Deductions | Principal Outstanding 6/30/00 |
|---|--|-----------------|-----------------|-------------------------------------|
| Compensated Absences | \$278,163 | \$80,350 | \$12,293 | \$346,220 |
| Intergovernmental Payable (Pension Obligation) | 13,561 | 16,145 | 13,561 | 16,145 |
| Total General Long-Term Obligations | \$291,724 | \$96,495 | \$25,854 | \$362,365 |

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

The Educational Service Center's overall legal debt margin was \$42,420,300 with an unvoted debt margin of \$471,337 at June 30, 2000.

NOTE 14 - INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

| Fund Type/Fund | Interfund Receivables | Interfund Payables |
|------------------------------------|--------------------------|-----------------------|
| <u>General Fund</u> | \$50,857 | \$0 |
| <u>Special Revenue Funds:</u> | | |
| Other Grant | 0 | 3,500 |
| Career Development | 0 | 10,000 |
| Vocational Education Basic Grant | 0 | 25,000 |
| Title VI | 0 | 1,200 |
| Total Special Revenue Funds | 0 | 39,700 |
| <u>Enterprise Fund:</u> | | |
| Rotary | 0 | 10,950 |
| <u>Agency Fund:</u> | | |
| Student Managed Activity | 0 | 207 |
| Total All Funds | \$50,857 | \$50,857 |

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Educational Service Center maintains four enterprise funds to account for the operations of food service, uniform school supplies, customer services and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Southern Hills Joint Vocational School as of and for the fiscal year ended June 30, 2000.

| | Food Service | Uniform School Supplies | Rotary | Adult Education | Total Enterprise Funds |
|-----------------------------|-----------------|-------------------------------|----------|--------------------|------------------------------|
| Operating Revenues | \$71,974 | \$17,169 | \$94,128 | \$51,611 | \$234,882 |
| Depreciation Expense | 2,121 | 0 | 0 | 764 | 2,885 |
| Operating Income (Loss) | (78,064) | 1,288 | (3,650) | (86,113) | (166,539) |
| Donated Commodities | 7,880 | 0 | 0 | 0 | 7,880 |
| Federal and State Subsidies | 48,399 | 0 | 0 | 111,453 | 159,852 |
| Operating Transfers | 60,325 | 0 | (1,750) | 25,000 | 83,575 |
| Net Income (Loss) | 49,226 | 1,288 | (5,400) | 50,340 | 95,454 |
| Fixed Asset Additions | 0 | 0 | 0 | 1,075 | 1,075 |
| Net Working Capital | 195,025 | 84,561 | 52,401 | 301,501 | 633,488 |
| Total Assets | 219,300 | 84,561 | 63,922 | 312,897 | 680,680 |
| Total Equity | 203,422 | 84,561 | 52,401 | 291,597 | 631,981 |
| Encumbrances | (53,075) | 0 | (776) | (1,348) | (55,199) |

NOTE 16 - JOINTLY GOVERNED ORGANIZATION

A. South Central Ohio Computer Association

The Educational Service Center is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Jackson, Pike, Ross, Scioto, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the participating counties, two representatives of the school treasurers, plus a representative of the fiscal agent. The Educational Service Center and the Southern Hills Joint Vocational School paid SCOCA \$500 and \$6,754 respectively, for service provided during the fiscal

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 16 - JOINTLY GOVERNED ORGANIZATION (Continued)

year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various inservice for school district administrative personnel; gathers of 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 Council 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 Council.

NOTE 17 - INSURANCE PURCHASING POOL

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

NOTE 18 - PUBLIC ENTITY SHARED RISK POOL

The Brown County Schools Benefits Consortium, a public entity shared risk pool currently operates to provide health insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health insurance for the benefit of the consortium members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Educational Service Center pays premiums based on what the consortium estimates will cover the costs of all claims for which the consortium is obligated. If the Educational Service Center's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the Educational

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 18 - PUBLIC ENTITY SHARED RISK POOL (Continued)

Service Center's claims are low, it will not receive a refund. The consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

NOTE 19 - STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the Educational Service Center. During the fiscal year ended June 30, 2000, the Educational Service Center and the Southern Hills Joint Vocational School received \$955,596 and \$2,150,719, respectively, of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

The Joint Vocational School's management is required by State statute to annually set aside in a Special Revenue Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The Educational Service Center is not required to set aside money for budget stabilization.

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

The Educational Service Center changed its reporting entity to include the Southern Hills Joint Vocational School as a blended component unit.

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|---|-------------------|--------------------------------|---------------------------------|
| Set-aside Reserve Balance as of July 1, 1999 Restated | \$0 | \$0 | \$49,111 |
| Current Year Set-aside Requirement | 89,495 | 89,495 | 29,832 |
| Current Year Offsets | 0 | 0 | 0 |
| Qualifying Disbursements | <u>(164,203)</u> | <u>(95,949)</u> | <u>0</u> |
| Set-aside Balance Carried Forward to Future Fiscal Years | <u>(74,708)</u> | <u>0</u> | <u>58,107</u> |
| Set-aside Reserve Balance as of June 30, 2000 | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$58,107</u></u> |

Although the Educational Service Center had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, only the amount for the textbook set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year. The total reserve balance for the three set-asides at the end of the fiscal year was \$58,107.

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 21 - 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 terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2000.

Litigation:

There are currently no matters in litigation with the Educational Service Center as defendant.

NOTE 22 - CHANGE IN REPORTING ENTITY AND RESTATEMENT OF FUNDEQUITY

The Educational Service Center changed its reporting entity to include the Southern Hills Joint Vocational School as a blended component unit. The change in reporting had the following effect on fund balances/retained earnings as they were previously reported as of June 30, 1999.

The restatements to the opening fund balances/retained earnings are as follows:

| Fund Type | Balance June 30, 1999 | Adjustments | Restated Balance July 1, 1999 |
|---------------------|--------------------------|-------------|-------------------------------------|
| Governmental Funds: | | | |
| Special Revenue | \$49,454 | \$1,607,333 | \$1,656,787 |
| Capital Projects | 0 | 1,255,617 | 1,255,617 |
| Proprietary Funds: | | | |
| Enterprise | 0 | 536,527 | 536,527 |
| Fiduciary Funds: | | | |
| Expendable Trust | 0 | 2,299 | 2,299 |

The restatements to the opening fund balances/fund equity budget to actual statements are as follows:

**Brown County Educational Service Center
Brown County**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2000
(Continued)**

NOTE 22 - CHANGE IN REPORTING ENTITY AND RESTATEMENT OF FUNDEQUITY
(Continued)

| Fund Type | Balance June 30, 1999 | Adjustments | Restated Balance July 1, 1999 |
|---------------------|--------------------------|-------------|-------------------------------------|
| Governmental Funds: | | | |
| Special Revenue | \$51,124 | \$1,397,308 | \$1,448,432 |
| Capital Projects | 0 | 1,169,461 | 1,169,461 |
| Proprietary Funds: | | | |
| Enterprise | 0 | 546,075 | 546,075 |
| Fiduciary Funds: | | | |
| Expendable Trust | 0 | 2,299 | 2,299 |



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Brown County Educational Service Center
Brown County
325 West State Street
Georgetown, Ohio 45121

To the Board of Education:

We have audited the financial statements of the Brown County Educational Service Center, Brown County, Ohio (the Educational Service Center), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 23, 2001, wherein we noted the Educational Service Center changed its method of reporting to include the Southern Hills Joint Vocational School as a blended component unit in the Educational Service Center's financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Educational Service Center 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10408-001.

Internal Control Over Financial Reporting

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

This report is intended 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.

Jim Petro
Auditor of State

January 23, 2001

**BROWN COUNTY EDUCATIONAL SERVICE CENTER
BROWN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2000**

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

FINDING NUMBER 2000-10408-001

Compliance - Prior Certification of Funds

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

The Educational Service Center did not certify the availability of funds before making expenditures in 8% of the transactions tested.



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BROWN COUNTY EDUCATIONAL SERVICE CENTER

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2001**