



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ashtabula County Educational Service Center
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ashtabula County Educational Service Center, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 Ashtabula County Educational Service Center, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2000 on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Educational Service Center, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 11, 2000

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**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

	Governmental Fund Types		Proprietary Fund Type		Fiduciary Fund	Account Groups		Totals 2000
	General	Special Revenue	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term	(Memorandum (Only))
Assets and Other Debits:								
Equity in Pooled Cash and Investments	\$2,500,749	\$603,132	\$22,084	\$161,993	\$347,083			\$3,635,041
Interfund Receivables	46,631							46,631
Due from Other Funds					41,129			41,129
Intergovernmental Receivables	40,808	1,711	60					42,579
Accounts Receivable	46,724			1,376	178			48,278
Inventory	12,288							12,288
Plant, Property & Equipment						\$526,482		526,482
Amount to be Provided to GLTDAG							\$263,375	263,375
Total Assets and Other Debits	\$2,647,200	\$604,843	\$22,144	\$163,369	\$388,390	\$526,482	\$263,375	\$4,615,803
Liabilities:								
Interfund Payable		\$46,631						\$46,631
Due to Other Funds	\$38,943	\$1,807		\$379				41,129
Intergovernmental Payable	3,286	116			\$388,390		\$19,353	411,145
Accounts Payable	54,310	13,236						67,546
Accrued Wages & Benefits	324,884	16,295		2,610				343,789
Compensated Absences Payable	28,409	1,222					244,022	273,653
Total Liabilities	449,832	79,307		2,989	388,390		263,375	1,183,893
Investment in General Fixed Assets						526,482		526,482
Retained Earnings			22,144	160,380				182,524
Fund Balances:								
Reserved for Inventory	12,288							12,288
Reserved for Encumbrances	76,296	361,954						438,250
Unreserved Fund Balance	2,108,784	163,582						2,272,366
Total Fund Equity	2,197,368	525,536	22,144	160,380		526,482		3,431,910
Total Liabilities, Fund Equity, and Other Credits	\$2,647,200	\$604,843	\$22,144	\$163,369	\$388,390	\$526,482	\$263,375	\$4,615,803

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum) (Only)</u>
REVENUES:			
Revenue from Local Sources			
Tuition	\$336,084	\$30,955	\$367,039
Transportation Fees	47,532		47,532
Earnings on Investments	194,582		194,582
Miscellaneous	544,478	67,831	612,309
Revenue from State Sources			
Unrestricted Grants-in-Aid	3,280,103		3,280,103
Restricted Grants-in-Aid		353,609	353,609
Revenue from Federal Sources			
Unrestricted Grants-in-Aid	68,106		68,106
Restricted Grants-in-Aid		505,654	505,654
Total Revenues	<u>4,470,885</u>	<u>958,049</u>	<u>5,428,934</u>
EXPENDITURES:			
Current:			
Instruction			
Regular Instruction	140,849	74,781	215,630
Special Instruction	1,027,859	85,435	1,113,294
Adult/Continuing Instruction		107,124	107,124
Supporting Services			
Supporting Services-Pupils	759,842	241,391	1,001,233
Supporting Services-Instructional Staff	1,395,288	249,438	1,644,726
Supporting Services-Board of Education	18,592		18,592
Supporting Services-Administration	574,787	6,094	580,881
Supporting Services-Fiscal Services	146,258	8,982	155,240
Supporting Services-Pupil Transportation	57,646		57,646
Total Expenditures	<u>4,121,121</u>	<u>773,245</u>	<u>4,894,366</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	349,764	184,804	534,568
Other Financing Sources and Uses:			
Transfers-In	4,784		4,784
Transfers-Out		(4,784)	(4,784)
Refund of Prior Years Expenditure	5,794		5,794
Net Other Financing Sources and Uses	<u>10,578</u>	<u>(4,784)</u>	<u>5,794</u>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure			
Disbursement and Other Uses	360,342	180,020	540,362
Increase in Inventory	2,135		2,135
Beginning Fund Balance	<u>1,834,891</u>	<u>345,516</u>	<u>2,180,407</u>
Ending Fund Balance	<u>\$2,197,368</u>	<u>\$525,536</u>	<u>\$2,722,904</u>

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition	\$335,941	\$336,285	\$344	\$30,525	\$31,335	\$810
Transportation Fees	44,558	45,423	865			
Earnings on Investment	190,000	194,582	4,582			
Miscellaneous	502,993	551,179	48,186	104,879	67,831	(37,048)
State Unrestricted Grants-in-Aid	3,267,575	3,280,103	12,528			
State Restricted Grants-in-Aid				372,059	362,808	(9,251)
Federal Unrestricted Grants-in-Aid	52,371	52,371				
Federal Restricted Grants-in-Aid				505,558	505,558	
Total Revenues	<u>4,393,438</u>	<u>4,459,943</u>	<u>66,505</u>	<u>1,013,021</u>	<u>967,532</u>	<u>(45,489)</u>
Expenditures:						
Regular Instruction	212,023	142,690	69,333	164,388	74,781	89,607
Special Instruction	1,634,274	1,052,158	582,116	96,547	94,196	2,351
Adult/Continuing Instruction				126,876	109,053	17,823
Support Services-Pupils	1,062,376	750,615	311,761	589,758	558,680	31,078
Support Services-Instructional Staff	1,948,710	1,470,961	477,749	360,422	285,045	75,377
Support Services-Board of Education	42,086	29,842	12,244			
Support Services-Administration	1,425,583	584,784	840,799	10,785	6,094	4,691
Fiscal Services	183,655	152,165	31,490	26,272	21,182	5,090
Support Services-Transportation	77,001	58,027	18,974			
Total Expenditures	<u>6,585,708</u>	<u>4,241,242</u>	<u>2,344,466</u>	<u>1,375,048</u>	<u>1,149,031</u>	<u>226,017</u>
Excess of Revenues Over (Under) Expenditures	(2,192,270)	218,701	2,410,971	(362,027)	(181,499)	180,528
Other Financing Sources (Uses):						
Transfers-In	4,784	4,784				
Advances-In		40,505	40,505		77,938	77,938
Refund of Prior Years Exp.		5,794	5,794			
Transfers-Out				(4,784)	(4,784)	
Advances-Out		(77,938)	(77,938)		(40,505)	(40,505)
Total Other Sources (Uses)	<u>4,784</u>	<u>(26,855)</u>	<u>(31,639)</u>	<u>(4,784)</u>	<u>32,649</u>	<u>37,433</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,187,486)	191,846	2,379,332	(366,811)	(148,850)	217,961
Beginning Fund Balance	2,044,680	2,044,680		52,589	52,589	
Prior Year Carry Over Encumbrances	<u>147,590</u>	<u>147,590</u>		<u>323,421</u>	<u>323,421</u>	
Ending Fund (Deficit) Balance	<u>\$4,784</u>	<u>\$2,384,116</u>	<u>\$2,379,332</u>	<u>\$9,199</u>	<u>\$227,160</u>	<u>\$217,961</u>

(Continued)

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

	<u>Totals (Memorandum Only)</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Tuition	\$366,466	\$367,620	\$1,154
Transportation Fees	44,558	45,423	865
Earnings on Investment	190,000	194,582	4,582
Miscellaneous	607,872	619,010	11,138
State Unrestricted Grants-in-Aid	3,267,575	3,280,103	12,528
State Restricted Grants-in-Aid	372,059	362,808	(9,251)
Federal Unrestricted Grants-in-Aid	52,371	52,371	
Federal Restricted Grants-in-Aid	505,558	505,558	
Total Revenues	<u>5,406,459</u>	<u>5,427,475</u>	<u>21,016</u>
Expenditures:			
Regular Instruction	376,411	217,471	158,940
Special Instruction	1,730,821	1,146,354	584,467
Adult/Continuing Instruction	126,876	109,053	17,823
Support Services-Pupils	1,652,134	1,309,295	342,839
Support Services-Instructional Staff	2,309,132	1,756,006	553,126
Support Services-Board of Education	42,086	29,842	12,244
Support Services-Administration	1,436,368	590,878	845,490
Fiscal Services	209,927	173,347	36,580
Support Services-Transportation	77,001	58,027	18,974
Total Expenditures	<u>7,960,756</u>	<u>5,390,273</u>	<u>2,570,483</u>
Excess of Revenues Over (Under) Expenditures	(2,554,297)	37,202	2,591,499
Other Financing Sources (Uses):			
Transfers-In	4,784	4,784	
Advances-In		118,443	118,443
Refund of Prior Years Expense		5,794	5,794
Transfers-Out	(4,784)	(4,784)	
Advances-Out		(118,443)	(118,443)
Total Other Sources (Uses)		<u>5,794</u>	<u>5,794</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,554,297)	42,996	2,597,293
Beginning Fund Balance	2,097,269	2,097,269	
Prior Year Carry Over Encumbrances	<u>471,011</u>	<u>471,011</u>	
Ending Fund (Deficit) Balance	<u>\$13,983</u>	<u>\$2,611,276</u>	<u>\$2,597,293</u>

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	
Operating Revenues:			
Tuition	\$29,397		\$29,397
Miscellaneous		\$77,163	77,163
Total Operating Revenues	29,397	77,163	106,560
Operating Expenses:			
Personal Services - Salary	12,375	13,612	25,987
Employee Benefits	1,980	1,251	3,231
Purchased Services	200	11,730	11,930
Supplies and Materials	3,959	5,153	9,112
Other Objects	20		20
Total Operating Expenses	18,534	31,746	50,280
Operating Income	10,863	45,417	56,280
Non-Operating Revenues:			
Refund of Prior Year's Expense		1,376	1,376
Total Non-Operating Revenues		1,376	1,376
Net Income (Loss)	10,863	46,793	57,656
Beginning Retained Earnings	11,281	113,587	124,868
Retained Earnings at End of Year	\$22,144	\$160,380	\$182,524

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
Cash Flows from Operating Activities:			
Operating Gain	\$10,863	\$45,417	\$56,280
Adjustment to Reconcile Operating Gain (Loss) To Net Cash used in Operating Activities:			
Refund of Prior Year's Expense		1,376	1,376
Net (Increase) Decrease in Assets:			
Accounts Receivable		364	364
Intergovernmental Receivable	94		94
Net Increases (Decreases) in Liabilities:			
Accrued Wages		2,610	2,610
Accounts Payable		(2,558)	(2,558)
Due to Other Funds	(2,953)	379	(2,574)
Total Adjustments	(2,859)	2,171	(688)
Net Cash Used in Operating Activities	8,004	47,588	55,592
Cash and Cash Equivalents at Beginning of Year	14,080	114,405	128,485
Cash and Cash Equivalents at End of Year	<u>\$22,084</u>	<u>\$161,993</u>	<u>\$184,077</u>

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

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

1. DESCRIPTION

The Ashtabula County Educational Service Center (the Service Center) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Service Center is a County School District as defined by Section 3313 of the Ohio Revised Code.

The Service Center is governed by a five member Governing Board elected by the citizens of Ashtabula County and is responsible for the provision of special education and support services to public school districts located in the County. The Service Center also provides support services for the pupils and instructional staff, general administration, business and fiscal services.

The Service Center serves four local school districts: Buckeye Local, Grand Valley Local, Jefferson Area Local and Pymatuning Valley Local as provided by S.B. 140, O.R.C. Section 3313.483. Ashtabula Area City School District and Conneaut Area City School District are served through city/county cooperative agreements in accordance with S.B. 140 and O.R.C. Section 3313.843.

The Service Center is located in Jefferson, Ohio and is staffed by 55 certified and 49 non-certified personnel. The Ashtabula County Commissioners, as required by State statute, provide the offices for the use of the Service Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The accompanying general-purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Service Center is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Service Center over which the Service Center is financially accountable.

B. Fund Accounting

The 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund

This fund 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 Service Center for any purpose provided it is expended or transferred according to the bylaws of the Service Center and the laws of the State of Ohio.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

2. Proprietary Fund Types:

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

Enterprise Funds

These funds are used to account for the operations 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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

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

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Service Center in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Agency Funds

These funds are purely custodial and thus do not involve measurement of results of operations.

4. Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group

This account group is used to account for all of the Service Center's fixed assets other than those accounted for in the Proprietary funds.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Debt Account Group

This account group is used to account for all of the Service Center's long-term obligations other than those accounted for in the Proprietary Funds.

B. Measurement Focus and Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the Service Center is 60 days after year end.
4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting" the Service Center follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

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 are the budget and the appropriation resolution, both of which are prepared on the budgetary basis of accounting. The appropriation resolution is subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level must have approval of the Board of Education. All governmental and proprietary fund types are subject to annual expenditures budgets.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

SF-5

Annually, the Superintendent and the Treasurer submit to the Governing Board a proposed County Educational Service Center SF-5 budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the sources of financing for all funds. After approval by the Board, the SF-5 budget is submitted to the Ohio Department of Education no later than September 4.

Appropriations

An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Annual Appropriation Resolution is usually adopted at the June regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Expenditures may not exceed appropriations in any fund at the object level.

The Service Center prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d. 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).

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the 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 year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

Cash received by the Service Center is pooled in a central bank account with individual fund balance integrity maintained throughout. Monies for all funds are maintained in this account or temporarily used to purchase short term cash equivalent investments which are stated at cost. State statutes authorize the Service Center to invest in obligations of, or guaranteed by, U.S. Treasury, agencies, and instrumentalities, repurchase agreements, bonds and other obligations of the State of Ohio, and the State Treasurer's Asset Reserve of Ohio (STAR Ohio). STAR Ohio is a state investment pool for the exclusive use of political subdivisions within the State of Ohio. During fiscal year 2000, investments were limited to certificates of deposit and Star Ohio. For the Service Center, all investment earnings accrue to the General Fund. Interest income earned in fiscal year 2000 totaled \$194,582.

F. Taxes

A county educational service center does not itself levy taxes. However, a county educational service center governing board may serve as the taxing authority for a county school financing district as authorized by the Ohio Revised Code 135.01 (D). The Service Center does not currently serve as a taxing authority.

G. Inventories

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. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recognized under the non-allocation method. The non-allocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the non-allocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction 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 respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, (five to twenty years) as applicable.

Assets in the general fixed assets account group are not depreciated.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

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

Entitlements:

General Fund

State Foundation Program

Special Revenue Funds

Educational Management Information Systems
Telecommunications Grant

Non-Reimbursable Grants:

Special Revenue Funds

Eisenhower Grant
Title VI-B Early Childhood Preschool
Drug Free Schools Grant
Career Education Grant
State and Community Highway Safety (PSSBDTP) Grant
T.O.P.S. Grant
School to Work Grant

Grants and entitlements amounted to approximately 78% of the Service Center's operating revenue during the 2000 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2000, the Service Center had \$41,129 "Due to Other Funds" and \$46,631 in "Interfund Receivables/Payables."

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2000 the Service Center had no long-term interfund loans.

M. Compensated Absences

The Service Center accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the Service Center records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, 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.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

P. Fund Balance Reserves

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

Q. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "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.

3. BUDGETARY BASIS OF ACCOUNTING

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

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

	Governmental Fund Types	
	General Fund	Special Revenue
GAAP Basis	\$360,342	\$180,020
Increase (Decrease):		
Due to Revenues:		
Net Adjustments to Revenues	(10,942)	9,483
Due to Expenditures:		
Net Adjustments to Expenditures	(120,121)	(375,786)
Due to Other Sources/Uses	(37,433)	37,433
Budget Basis	<u>\$191,846</u>	<u>(\$148,850)</u>

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

4. ACCOUNTABILITY AND COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

5. CASH AND INVESTMENTS

State statutes classify monies held by the Service Center into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 or deposit accounts including pass book accounts.

Protection of school district 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.

Moneys held by the Service Center which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Service Center;

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

5. CASH AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Service Center lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

Deposits: At year end, the carrying amount of the Service Center's deposits were \$1,567,830 and the bank balance was \$1,709,400 of which \$200,000 was covered by Federal Depository Insurance. The remainder of the bank balance, \$1,509,400, was uninsured and uncollateralized. Although securities serving as collateral were held by the pledging institution in the pledging institution's name and all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Service Center to a successful claim by the FDIC.

Investments: GASB statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments classified by risk. Category 1 includes investments that are insured or registered for which the securities are held in the counter party's trust department or agent in the Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department but not in the Service Center's name. Investments in STAR Ohio and Deferred Compensation program are not categorized since they are not evidenced by securities that exist in physical or book entry form.

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

5. CASH AND INVESTMENTS (Continued)

	Category			Carrying Value	Market Value
	1	2	3		
Star Ohio	\$ 0	0	0	\$2,067,211	\$2,067,211

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, entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash 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	Investments
GASB Statement No.9	\$ 3,635,041	\$ 0
Investments:		
Star Ohio	(2,067,211)	2,067,211
GASB Statement No. 3	<u>\$1,567, 830</u>	<u>\$2,067,211</u>

6. RECEIVABLES

Receivables at June 30, 2000 consisted of tuition and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Transportation Reimbursement	\$10,180
CAFS Funding	<u>30,628</u>
Total General Fund	<u>40,808</u>
Special Revenue Fund:	
E-Rate Grant	96
Tuition	<u>1,615</u>
Total Special Revenue Fund	<u>1,711</u>
Enterprise Fund	
Tuition	<u>60</u>
Total Enterprise Fund	<u>60</u>
Grand Total	<u>\$ 42,579</u>

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

7. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000.

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Buildings	\$51,173	\$0	\$51,173	\$0
Furniture and Equipment	413,489	10,260	13,103	410,646
Vehicles	109,666	37,470	31,300	115,836
Total General Fixed Assets	\$574,328	\$47,730	\$95,576	\$526,482

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Service Center contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Service Center is required to contribute at an actuarially determined rate. The Service Center's current rate is 14 percent of annual covered payroll. A portion of the 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 to fund pension obligations. For fiscal year 1999, 7.7 percent was 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 Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$80,109, \$72,513, and \$62,849, respectively; 99 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$68 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the Service Center is required to contribute 14 percent; 6 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were: \$322,858, \$316,695, and \$317,956, respectively; 0 percent has been contributed for fiscal year 2000 100 percent for the fiscal years 1999 and 1998. \$322,858 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

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, none of the Governing Board members have elected social security.

9. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio 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 Service Center, this amount equaled \$184,490 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.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 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 8.5 percent of covered payroll, an increase from 2.2 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 has been established at \$12,400. The surcharge rate 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. For the Service Center, this amount equaled \$67,991 during the 2000 fiscal year.

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% of annual health care expenses. Expenses for health care at 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. The number of participants currently receiving health care benefits is approximately 51,000.

10. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from District Policy and State laws. Only Administrative and support personnel who are under a full year contract are eligible for vacation time.

Employees earn ten to twenty days of vacation per year, depending upon length of service. Employees can accumulate one and one half times their vacation to a maximum of thirty days. Accumulated, unused vacation time is paid to employees upon termination of employment.

Personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-5	10
6-10	15
11-Beyond	20

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis to a maximum of 200 days.

For all employees, retirement severance is paid to each employee retiring from the Service Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement up to a maximum of 40 days.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
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11. RISK MANAGEMENT

General Risk

The 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. The Service Center has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. The Service Center also maintains a \$1,000,000 umbrella insurance policy.

The Service Center maintains replacement cost insurance on building contents in the amount of \$50,000. Other insurance includes electronic data processing equipment coverage in the amount of \$40,500.

The Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, The President-Elect and the Immediate Past President of the Ohio School Boards Association (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.

The intent of the GRP is to achieve the benefit of a reduced premium for the Service Center by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

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

Health Insurance

The Service Center purchases Health Insurance from the Ashtabula County Schools Council of Governments Insurance Group, a full indemnity program.

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

12. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30,2000
Intergovernmental Payable	\$19,353	\$19,353	\$19,353	\$19,353
Compensated Absences Payable	275,743	0	31,721	244,022
Total Long-Term Debt	\$295,096	\$19,353	\$51,074	\$263,375

Additions and deletions of compensated absences and intergovernmental payable are shown net since it is impracticable for the Service Center to determine these amounts separately.

13. JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network - (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed 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 districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), two superintendents from Ashtabula County school districts, four superintendents from Trumbull County districts, a principal and treasurer. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula County Joint Vocational School District - The Service Center is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a nine-member board of education. The Service Center has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

Ashtabula County Schools Council of Governments - The Service Center's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The Service Center has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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14. CONTINGENCIES

Grants

The Service Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Service Center at June 30, 2000.

Litigation

The Service Center is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2000

15. 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 this District. During the fiscal year ended June 30, 2000, the Service Center received \$3,225,590 of school foundation support for its general fund.

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 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.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

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

16. FUND DEFICITS

The following funds had deficit balances at June 30, 2000:

Career Education	\$ (9,516)
Telecommunications Grant	\$ (763)

These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The Service Center is aware of the deficits and will take the necessary steps to alleviate the deficits. The General Fund is liable for any deficit in the funds and provides operating transfers when cash is required, not when accruals occur.

ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027		\$280,004
	6B-SF-00		\$363,789	34,095
Sub-Total - Special Education Grant			363,789	314,099
Special Education - Preschool Grant	PG-S1-99	84.173		21,716
	PG-S1-00		25,492	3,024
Sub-Total - Preschool Grant			25,492	24,740
Sub-Total - Special Education Cluster			389,281	338,839
Drug Free Schools and Communities Grant	DR-S1-99	84.186		824
	DR-S1-00		31,306	30,902
Sub-Total - Drug-Free Schools Grant			31,306	31,726
Technical Assistance Grant		84.276	35,000	6,724
Eisenhower Professional Development Program	MS-S1-99	84.281		22,030
	MS-S1-00		37,190	21,495
			37,190	43,525
Total Department of Education			492,777	420,814
<u>U.S. DEPARTMENT OF LABOR</u>				
<i>Passed Through Ohio School to Work Region XII/ Private Industry Council of Trumbull County, Inc.</i>				
School-to-Work Exemplary Program Community Service/Volunteerism	FY2000	17.249	5,000	5,000
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>Passed Through Ohio Department of Human Services; Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medicaid Cluster:				
Medical Assistance Program - Title XIX - Community Alternative Funding System		93.778	52,371	52,371
Totals			\$550,148	\$478,185

The notes to the schedule of federal awards expenditures is an integral part of this schedule.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - MATCHING REQUIREMENTS

Certain Federal programs require that the Service Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Service Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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**STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Ashtabula County Educational Service Center
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

We have audited the financial statements of Ashtabula County Educational Service Center, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 11, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated December 11, 2000.

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

Jim Petro
Auditor of State

December 11, 2000



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

Ashtabula County Educational Service Center
1565 State Route 167
Jefferson, Ohio 44047

To the Board of Education:

Compliance

We have audited the compliance of Ashtabula County Educational Service Center with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The Educational Service Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on the Educational Service Center's compliance based on our audit.

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

In our opinion, the Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

December 11, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER

ASHTABULA 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
JANUARY 16, 2001**