



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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, Ashtabula County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2001 on our consideration of the 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 District, 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 6, 2001

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**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types		Proprietary Fund Type		Fiduciary Fund	Account Groups		Totals 2001
	General	Special Revenue	Enterprise	Internal Service	Agency	General Fixed Assets	General Long Term	(Memorandum Only)
<b>Assets and Other Debits:</b>								
Equity in Pooled Cash and Investments	\$ 2,912,961	630,967	23,267	169,911	483,797	0	0	\$ 4,220,903
Interfund Receivables	55,650	0	0	0	0	0	0	55,650
Due from Other Funds	0	0	0	0	47,987	0	0	47,987
Intergovernmental Receivables	389,559	1,035	85	0	0	0	0	390,679
Accounts Receivable	406,004	137	0	0	426	0	0	406,567
Inventory	14,010	0	0	0	0	0	0	14,010
Plant, Property & Equipment	0	0	0	0	0	626,442	0	626,442
Amount to be Provided to GLTDAG	0	0	0	0	0	0	301,134	301,134
<b>Total Assets and Other Debits</b>	<b>\$ 3,778,184</b>	<b>632,139</b>	<b>23,352</b>	<b>169,911</b>	<b>532,210</b>	<b>626,442</b>	<b>301,134</b>	<b>\$ 6,063,372</b>
<b>Liabilities:</b>								
Interfund Payable	0	55,650	0	0	0	0	0	55,650
Due to Other Funds	43,904	4,072	0	11	0	0	0	47,987
Intergovernmental Payable	3,848	321	0	0	532,210	0	18,097	554,476
Accounts Payable	49,979	365,448	0	923	0	0	0	416,350
Accrued Wages & Benefits	373,222	33,969	0	75	0	0	0	407,266
Compensated Absences Payable	29,314	2,365	0	0	0	0	283,037	314,716
<b>Total Liabilities</b>	<b>500,267</b>	<b>461,825</b>	<b>0</b>	<b>1,009</b>	<b>532,210</b>	<b>0</b>	<b>301,134</b>	<b>1,796,445</b>
<b>Fund Equity and Other Credits:</b>								
Investment in General Fixed Assets	0	0	0	0	0	626,442	0	626,442
Retained Earnings	0	0	23,352	168,902	0	0	0	192,254
Fund Balances:								
Reserved for Inventory	14,010	0	0	0	0	0	0	14,010
Reserved for Encumbrances	20,558	51,829	0	0	0	0	0	72,387
Unreserved Fund Balance	3,243,349	118,485	0	0	0	0	0	3,361,834
<b>Total Fund Equity and Other Credits</b>	<b>3,277,917</b>	<b>170,314</b>	<b>23,352</b>	<b>168,902</b>	<b>0</b>	<b>626,442</b>	<b>0</b>	<b>4,266,927</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 3,778,184</b>	<b>632,139</b>	<b>23,352</b>	<b>169,911</b>	<b>532,210</b>	<b>626,442</b>	<b>301,134</b>	<b>\$ 6,063,372</b>

See Accompanying Notes to the General Purpose Financial Statements.

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**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum) (Only)</u>
<b>REVENUES:</b>			
Revenue from Local Sources			
Tuition	\$ 796,173	24,900	\$ 821,073
Transportation Fees	44,920	0	44,920
Earnings on Investments	222,934	0	222,934
Miscellaneous	1,048,380	193,185	1,241,565
Revenue from State Sources			
Unrestricted Grants-in-Aid	3,510,790	0	3,510,790
Restricted Grants-in-Aid	0	432,170	432,170
Revenue from Federal Sources			
Unrestricted Grants-in-Aid	78,412	0	78,412
Restricted Grants-in-Aid	0	445,843	445,843
<b>Total Revenue</b>	<u>5,701,609</u>	<u>1,096,098</u>	<u>6,797,707</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction			
Regular Instruction	104,543	266,210	370,753
Special Instruction	1,158,601	39,030	1,197,631
Adult/Continuing Instruction	0	116,179	116,179
Supporting Services			
Supporting Services-Pupils	921,064	436,516	1,357,580
Supporting Services-Instructional Staff	1,524,677	400,836	1,925,513
Supporting Services-Board of Education	23,566	0	23,566
Supporting Services-Administration	672,202	157,855	830,057
Supporting Services-Fiscal Services	162,759	34,694	197,453
Supporting Services-Operation & Maintenance of Plant	3,593	0	3,593
Supporting Services-Pupil Transportation	51,777	0	51,777
<b>Total Expenditures</b>	<u>4,622,782</u>	<u>1,451,320</u>	<u>6,074,102</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>1,078,827</u>	<u>(355,222)</u>	<u>723,605</u>
Increase in Inventory	<u>1,722</u>	<u>0</u>	<u>1,722</u>
Beginning Fund Balance	<u>2,197,368</u>	<u>525,536</u>	<u>2,722,904</u>
<b>Ending Fund Balance</b>	<u><b>\$ 3,277,917</b></u>	<u><b>170,314</b></u>	<u><b>\$ 3,448,231</b></u>

See Accompanying Notes to the General Purpose Financial Statements.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Tuition	\$ 425,645	427,893	2,248	25,480	25,480	\$ 0
Transportation Fees	43,339	43,339	0	0	0	0
Earnings on Investment	211,500	222,782	11,282	0	0	0
Miscellaneous	683,170	689,253	6,083	193,048	193,048	0
State Unrestricted Grants-in-Aid	3,500,034	3,510,790	10,756	0	0	0
State Restricted Grants-in-Aid	0	0	0	432,170	432,170	0
Federal Unrestricted Grants-in-Aid	93,427	99,521	6,094	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	445,939	445,939	0
<b>Total Revenue</b>	<b>4,957,115</b>	<b>4,993,578</b>	<b>36,463</b>	<b>1,096,637</b>	<b>1,096,637</b>	<b>0</b>
<b>Expenditures:</b>						
Regular Instruction	322,051	116,278	205,773	266,195	248,485	17,710
Special Instruction	1,633,710	1,149,210	484,500	52,758	50,788	1,970
Adult/Continuing Instruction	0	0	0	130,089	117,414	12,675
Support Services-Pupils	1,268,532	917,806	350,726	482,896	445,667	37,229
Support Services-Instructional Staff	2,710,423	1,573,617	1,136,806	572,449	452,363	120,086
Support Services-Board of Education	62,082	26,914	35,168	0	0	0
Support Services-Administration	1,168,947	711,001	457,946	166,436	159,166	7,270
Fiscal Services	218,055	176,905	41,150	37,965	35,394	2,571
Operation, Maintenance & Plant	5,625	3,593	2,032	0	0	0
Support Services-Transportation	68,440	53,361	15,079	0	0	0
<b>Total Expenditures</b>	<b>7,457,865</b>	<b>4,728,685</b>	<b>2,729,180</b>	<b>1,708,788</b>	<b>1,509,277</b>	<b>199,511</b>
Excess of Revenue Over (Under) Expenditures	(2,500,750)	264,893	2,765,643	(612,151)	(412,640)	199,511
<b>Other Financing Sources (Uses):</b>						
Advances-In	0	46,632	46,632	0	55,650	55,650
Advances-Out	0	(55,650)	(55,650)	0	(46,632)	(46,632)
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>(9,018)</b>	<b>(9,018)</b>	<b>0</b>	<b>9,018</b>	<b>9,018</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,500,750)	255,875	2,756,625	(612,151)	(403,622)	208,529
Beginning Fund Balance	2,384,116	2,384,116	--	227,160	227,160	--
Prior Year Carry Over Encumbrances	116,634	116,634	--	375,972	375,972	--
<b>Ending Fund (Deficit) Balance</b>	<b>\$ 0</b>	<b>2,756,625</b>	<b>2,756,625</b>	<b>(9,019)</b>	<b>199,510</b>	<b>\$ 208,529</b>

(Continued)

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BASIS)  
 ALL GOVERNMENTAL FUND TYPES - CONTINUED  
 YEAR ENDED JUNE 30, 2001**

	<u>Totals (Memorandum Only)</u>		
	<u>Revised</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Tuition	\$ 451,125	453,373	\$ 2,248
Transportation Fees	43,339	43,339	0
Earnings on Investment	211,500	222,782	11,282
Miscellaneous	876,218	882,301	6,083
State Unrestricted Grants-in-Aid	3,500,034	3,510,790	10,756
State Restricted Grants-in-Aid	432,170	432,170	0
Federal Unrestricted Grants-in-Aid	93,427	99,521	6,094
Federal Restricted Grants-in-Aid	445,939	445,939	0
<b>Total Revenue</b>	<u>6,053,752</u>	<u>6,090,215</u>	<u>36,463</u>
<b>Expenditures:</b>			
Regular Instruction	588,246	364,763	223,483
Special Instruction	1,686,468	1,199,998	486,470
Adult/Continuing Instruction	130,089	117,414	12,675
Support Services-Pupils	1,751,428	1,363,473	387,955
Support Services-Instructional Staff	3,282,872	2,025,980	1,256,892
Support Services-Board of Education	62,082	26,914	35,168
Support Services-Administration	1,335,383	870,167	465,216
Fiscal Services	256,020	212,299	43,721
Operation, Maintenance & Plant	5,625	3,593	2,032
Support Services-Transportation	68,440	53,361	15,079
<b>Total Expenditures</b>	<u>9,166,653</u>	<u>6,237,962</u>	<u>2,928,691</u>
Excess of Revenue Over (Under) Expenditures	(3,112,901)	(147,747)	2,965,154
<b>Other Financing Sources (Uses):</b>			
Advances-In	0	102,282	102,282
Advances-Out	0	(102,282)	(102,282)
<b>Total Other Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,112,901)	(147,747)	2,965,154
Beginning Fund Balance	2,611,276	2,611,276	--
Prior Year Carry Over Encumbrances	492,606	492,606	--
<b>Ending Fund (Deficit) Balance</b>	<u>\$ (9,019)</u>	<u>2,956,135</u>	<u>\$ 2,965,154</u>

See Accompanying Notes to the General Purpose Financial Statement.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
 RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES  
 YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum) (Only)</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
<b>Operating Revenues:</b>			
Tuition	\$ 25,065	0	\$ 25,065
Miscellaneous	<u>767</u>	<u>69,447</u>	<u>70,214</u>
Total Operating Revenue	25,832	69,447	95,279
<b>Operating Expenses:</b>			
Personal Services - Salary	14,109	39,269	53,378
Employee Benefits	5,147	5,418	10,565
Purchased Services	175	8,742	8,917
Supplies and Materials	<u>5,193</u>	<u>7,496</u>	<u>12,689</u>
Total Operating Expenses	<u>24,624</u>	<u>60,925</u>	<u>85,549</u>
Operating Income	1,208	8,522	9,730
Net Income (Loss)	1,208	8,522	182,524
Beginning Retained Earnings	<u>22,144</u>	<u>160,380</u>	<u>182,524</u>
<b>Retained Earnings at End of Year</b>	<b><u>\$ 23,352</u></b>	<b><u>168,902</u></b>	<b><u>\$ 192,254</u></b>

*See Accompanying Notes to the General Purpose Financial Statements.*

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
 COMBINED STATEMENT OF CASH FLOWS  
 ALL PROPRIETARY FUND TYPES  
 YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum) (Only)</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	
<b>Cash Flows from Operating Activities</b>			
Operating Gain	\$ 1,208	8,522	\$ 9,730
Net (Increase) Decrease in Assets:			
Accounts Receivable	0	1,376	1,376
Intergovernmental Receivable	(25)	0	(25)
Net Increases (Decreases) in Liabilities:			
Accrued Wages	0	75	75
Accounts Payable	0	(1,687)	(1,687)
Due to Other Funds	0	(368)	(368)
Total Adjustments	(25)	(604)	(629)
<b>Net Cash Used in Operating Activities</b>	1,183	7,918	9,101
Cash and Cash Equivalents at Beginning of Year	22,084	161,993	184,077
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$ 23,267</u></b>	<b><u>169,911</u></b>	<b><u>\$ 193,178</u></b>

*See Accompanying Notes to General Purpose Financial Statements.*

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**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Ashtabula County Educational Service Center (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 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 59 certified and 71 non-certified personnel. The Ashtabula County Commissioners, as required by State statute, provide the offices for the use of the Service Center.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 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 Service Center 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.

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.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

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."

**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.

**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.



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

**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.

**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.

**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.

**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.

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

**C. Measurement Focus/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 Governing Board. All governmental and proprietary fund types are subject to annual expenditure budgets.

**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 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.

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

**Appropriations**

An annual appropriation measure must be passed by the Governing Board by July 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.

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**1. 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 2001 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 2001 totaled \$222,934.

**F. Taxes**

A county educational service center, itself, does not 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, 2001, are recognized under the nonallocation method. The nonallocation 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 nonallocation 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.

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**1. 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**

Career Education Grant  
Teacher Development Grant  
State and Community Highway Safety (PSSBDTP) Grant  
Alternative Schools Grant  
School Improvement Grant  
Technical Assistance Grant  
Eisenhower Grant  
Title VI-B Grant  
Drug Free Schools Grant  
Pre School Handicapped Grant

Grants and entitlements amounted to approximately 65.7% of the Service Center's operating revenue during the 2001 fiscal year.

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

**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, 2001, the Service Center had \$47,787 in "Due to Other Funds and Due from Other Funds" and \$55,650 in "Interfund Receivables/Payables."

**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, 2001 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; and 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.

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

**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.

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 purpose 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.

**2. 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	\$1,078,827	\$ (355,222)
Increase (Decrease):		
Due to Revenues:		
Net Adjustments to Revenues	(708,031)	539
Due to Expenditures:		
Net Adjustments to Expenditures	(105,903)	(57,957)
Due to Other Sources/Uses	(9,018)	9,018
Budget Basis	<u>\$ 255,875</u>	<u>\$ (403,622)</u>

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

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For fiscal year 2001, the Service Center has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB Statement No. 33.

**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 Governing Board has identified as not required for use within the current 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 the 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.

Monies 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;



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**5. CASH AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Service Center;
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 \$1,515,144 and the bank balance was \$1,646,925 of which \$1,500,000 was in Certificates of Deposit. Of the bank balance: \$200,000 was covered by Federal Depository Insurance. The remainder of the bank balance, \$1,446,925, 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.

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**5. CASH AND INVESTMENTS (Continued)**

**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.

	Category			Carrying Value	Market Value
	1	2	3		
STAR Ohio	\$ 0	0	0	\$ 2,705,759	\$ 2,705,759

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	\$ 4,220,903	\$ 0
Investments:		
Star Ohio	(2,705,759)	2,705,759
GASB Statement No. 3	<u>\$ 1,515,144</u>	<u>\$ 2,705,759</u>

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**6. RECEIVABLES**

Receivables at June 30, 2001 consisted of tuition, transportation fees, miscellaneous revenues 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:	
Tuition	\$ 368,280
Transportation Reimbursement	11,760
CAFS Funding	<u>9,519</u>
Total General Fund	<u>389,559</u>
Special Revenue Fund:	
Professional Development Block Grant	<u>1,035</u>
Total Special Revenue Fund	<u>1,035</u>
Enterprise Fund:	
Latchkey Program	<u>85</u>
Total Enterprise Fund	<u>85</u>
Grand Total	<u><u>\$ 390,679</u></u>

**7. FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Buildings	\$ 0	0	0	\$ 0
Furniture and Equipment	410,646	111,507	11,547	510,606
Vehicles	115,836	0	0	115,836
Total General Fixed Assets	<u>\$ 526,482</u>	<u>111,507</u>	<u>11,547</u>	<u>\$ 626,442</u>

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

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

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 current Service Center 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2001, 2000, and 1999 were \$111,500, \$80,109 and \$72,513 respectively; no contribution has been made for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$129,597 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The Service Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used 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, 2001, 2000, and 1999 were \$392,176, \$322,858 and \$316,695, respectively; no contribution has been made for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$392,176 represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**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 non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost 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, 2001, the STRS

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**9. POSTEMPLOYMENT BENEFITS (Continued)**

Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the Service Center, this amount equaled \$126,057 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more 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 the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the Service Center, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$96,147.

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

**10. COMPENSATED ABSENCES**

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

**Vacation Leave:**

The Superintendent and Treasurer receive 30 and 25 days of vacation, respectively, per year. For certified employees, vacation is based on the following schedule:

<u>Contract Length</u>	<u>Vacation Days</u>
9 months	5
10 months	10
11 months	15
12 months	20

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**10. COMPENSATED ABSENCES (Continued)**

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Employees can accumulate vacation days with the approval of the Superintendent. Accumulated, unused vacation time may be paid to employees upon termination of employment.

Classified personnel accumulate vacation based on the following schedule:

Years Service	Vacation Days
1-10	10
10-20	15
20-Beyond	20

**Sick Leave:**

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 300 days.

**Severance Pay:**

Retirement severance is paid to any qualifying 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 retirement up to a maximum of 75 days.

**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 \$60,000.

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.

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(Continued)**

**11. RISK MANAGEMENT (Continued)**

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.

**12. NOTES AND LONG-TERM DEBT**

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance
	June 30, 2000	Additions	Deletions	June 30,2001
Intergovernmental Payable	\$ 19,353	18,097	19,353	\$ 18,097
Compensated Absences Payable	244,022	39,015	0	283,037
	<u>\$ 263,375</u>	<u>57,112</u>	<u>19,353</u>	<u>\$ 301,134</u>

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)**

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), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was represented on the Governing Board during fiscal year 2001. 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 EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

**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.

**14. CONTINGENCIES**

**A. 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, 2001.

**B. 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, 2001.

**15. SCHOOL FUNDING DECISION**

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

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

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



**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**15. SCHOOL FUNDING DECISION (Continued)**

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

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

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

**16. FUND DEFICITS**

The following funds had deficit balances at June 30, 2001:

Career Education	\$	(9,954)
Alternative Education Grant	\$	(14)

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

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ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	6B-SF-00	84.027		\$329,694
	6B-SF-01		\$415,896	37,255
Sub-Total - Special Education Grant			415,896	366,949
Special Education - Preschool Grant	PG-S1-00	84.173		22,468
	PG-S1-01		25,480	1,996
	PG-SC-01		4,022	4,022
Sub-Total - Preschool Grant			29,502	28,486
<b>Total Special Education Cluster</b>			<b>445,398</b>	<b>395,435</b>
Drug Free Schools and Communities Grant	DR-S1-00	84.186		404
Technical Assistance Grant	G2-S9-2000	84.276		28,276
Eisenhower Professional Development Program	MS-S1-00	84.281		15,695
<b>Total Department of Education</b>			<b>445,398</b>	<b>423,711</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<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	FY2001	93.778	84,340	84,340
<b>Totals</b>			<b>\$529,738</b>	<b>\$508,051</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
FISCAL YEAR ENDED JUNE 30, 2001**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government'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.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Ashtabula County Educational Service Center  
Ashtabula County  
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, 2001, and have issued our report thereon dated December 6, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Ashtabula County 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 Ashtabula County 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 6, 2001.

Ashtabula County Educational Service Center  
Ashtabula County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of management, the Board, 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 6, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Ashtabula County Educational Service Center  
Ashtabula County  
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 each of its major federal programs for the year ended June 30, 2001. Ashtabula County Educational Service Center's major federal programs are 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 each of its major federal programs is the responsibility of Ashtabula County Educational Service Center's management. Our responsibility is to express an opinion on Ashtabula County Educational Service Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Ashtabula County 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 Ashtabula County Educational Service Center's compliance with those requirements.

In our opinion, Ashtabula County Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

### **Internal Control Over Compliance**

The management of Ashtabula County 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 Ashtabula County 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. We noted other matters involving the internal control over federal compliance 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 6, 2001.

This report is intended for the information and use of management, the Board, 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 6, 2001



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505**

**ASHTABULA COUNTY EDUCATIONAL SERVICE CENTER  
ASHTABULA COUNTY  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Cluster: (CFDA's 84/027 and 84.173) Special Education Grants to the States; Special Education Preschool Grants
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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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  
DECEMBER 27, 2001**