

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
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We have audited the accompanying general-purpose financial statements of the Columbiana County Educational Service Center, Columbiana County, as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Government'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 Columbiana County Educational Service Center, Columbiana County, as of June 30, 1999, 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 February 25, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 present 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.

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

JIM PETRO
Auditor of State

February 25, 2000

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FOR THE YEAR ENDED JUNE 30, 1988

	Governmental		Proprietary		Fiduciary		Account			Totals (Memorandum Only)
	Fund Types		Fund Type		Fund Types		Groups			
	General	Special Revenue	Internal Service	Trust and Agency	General	Fixed Asset Account Group	Long-Term Debt Account Group			
Assets and Other Debits:										
Equity in Pooled Cash and Cash Equivalents	\$1,175,577	\$133,602	\$0	\$27,784	\$0	\$0	\$0	\$0	\$0	\$1,336,963
Cash and Cash Equivalents: With Fiscal Agents	-	-	455,921	-	-	-	-	-	-	455,921
Receivables:										
Accounts	124,586	-	-	-	-	-	-	-	-	124,586
Interfund Receivable	2,433	-	-	-	-	-	-	-	-	2,433
Fixed Assets	-	-	-	-	-	1,264,824	-	-	-	1,264,824
Other Debits:										
Provided from General Government Resources	-	-	-	-	-	-	289,410	-	-	289,410
Total Assets and Other Debits	\$1,302,596	\$133,602	\$455,921	\$27,784	\$0	\$1,264,824	\$289,410	\$0	\$0	\$3,474,137
Liabilities:										
Accounts Payable	\$3,441	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,441
Contracts Payable	22,890	-	-	-	-	-	-	-	-	22,890
Accrued Wages and Benefits	456,738	-	-	-	-	-	-	-	-	456,738
Compensated Absences Payable	30,063	-	-	-	-	-	91,360	-	-	121,423
Interfund Payable	-	2,433	-	-	-	-	-	-	-	2,433
Intergovernmental Payable	366,624	14,369	-	-	-	-	40,537	-	-	421,530
Undistributed Monies	-	-	-	-	14,921	-	-	-	-	14,921
Due to Students	-	-	-	-	12,863	-	-	-	-	12,863
Notes Payable	-	-	-	-	-	-	110,830	-	-	110,830
Claims Payable	-	-	75,638	-	-	-	-	-	-	75,638
Capital Leases Payable	-	-	-	-	-	-	-	46,683	-	46,683
Total Liabilities	879,756	16,802	75,638	27,784	-	-	289,410	1,264,824	-	1,289,390
Fund Equity and Other Credits:										
Investment in General Fixed Assets	-	-	-	-	-	1,264,824	-	-	-	1,264,824
Retained Earnings:										
Unreserved	-	-	380,283	-	-	-	-	-	-	380,283
Fund Balances:										
Reserved:										
Reserved for Encumbrances	347,136	23,449	-	-	-	-	-	-	-	370,585
Unreserved:										
Unreserved, Undesignated	75,704	93,351	-	-	-	-	-	-	-	169,055
Total Fund Equity and Other Credits	422,840	116,800	380,283	-	-	1,264,824	-	-	-	2,184,747
Total Liabilities, Fund Equity and Other Credits	\$1,302,596	\$133,602	\$455,921	\$27,784	\$0	\$1,264,824	\$289,410	\$0	\$0	\$3,474,137

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Revenues:				
Intergovernmental	\$2,394,877	\$793,104	\$0	\$3,187,981
Interest	29,282	-	-	29,282
Rent	19,394	-	-	19,394
Gifts and Donations	-	3,696	-	3,696
Customer Services	2,818,265	-	-	2,818,265
Miscellaneous	307	-	-	307
Total Revenues	5,262,125	796,800	-	6,058,925
Expenditures:				
Current:				
Instruction:				
Regular	-	66,083	-	66,083
Special	952,603	307,765	-	1,260,368
Support Services:				
Pupils	1,245,783	178,006	-	1,423,789
Instructional Staff	1,423,478	243,793	-	1,667,271
Board of Education	14,908	-	-	14,908
Administration	369,290	25,390	-	394,680
Fiscal	122,592	3,148	-	125,740
Operation and Maintenance of Plant	29,211	-	-	29,211
Pupil Transportation	408,626	-	-	408,626
Central	309,479	-	29,099	338,578
Non-Instructional Services	467	2,168	-	2,635
Capital Outlay	55,377	-	-	55,377
Debt Service				
Debt Service-Principal	89,187	-	-	89,187
Debt Service-Interest	15,227	-	-	15,227
Total Expenditures	5,036,228	826,353	29,099	5,891,680
Excess of Revenues Over (Under) Expenditures	225,897	(29,553)	(29,099)	167,245
Other Financing Sources and Uses				
Refund of Prior Year Expenditures	93,994	-	-	93,994
Inception of Capital Lease	55,377	-	-	55,377
Operating Transfers Out	(270)	-	-	(270)
Total Other Financing Sources (Uses)	149,101	-	-	149,101
Excess of Rev and Other over Exp and Other...	374,998	(29,553)	(29,099)	316,346
Fund Balance at Beginning of Year	47,842	146,353	29,099	223,294
Fund Balance at End of Year	\$422,840	\$116,800	\$0	\$539,640

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

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET-ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1988

	General			Special Revenue			Capital Projects			Totals (Memorandum Only)		
	Budget	Variance:		Budget	Variance:		Budget	Variance:		Budget	Variance:	
		Actual	Favorable (Unfavorable)		Actual	Favorable (Unfavorable)		Actual	Favorable (Unfavorable)		Actual	Favorable (Unfavorable)
Revenues:												
Intergovernmental	\$2,543,492	\$2,394,208	(\$149,284)	\$825,757	\$783,104	(\$33,653)	\$0	\$0	\$3,370,249	\$3,187,312	(\$182,937)	
Interest	30,000	29,282	(718)	-	-	-	-	-	30,000	29,282	(718)	
Rent	19,384	19,384	-	-	-	-	-	-	19,384	19,384	-	
Gifts and Donations	-	-	-	3,696	3,696	-	-	-	3,696	3,696	-	
Customer Services	3,200,578	2,847,946	(352,632)	-	-	-	-	-	3,200,578	2,847,946	(352,632)	
Miscellaneous	307	307	-	-	-	-	-	-	307	307	-	
Total Revenues	5,793,771	5,291,137	(502,634)	830,453	786,800	(33,653)	-	-	6,624,224	6,087,937	(536,287)	
Expenditures:												
Current:												
Instruction:												
Regular	1,471,068	1,034,777	436,291	92,868	67,709	25,159	-	-	92,868	67,709	25,159	
Special	-	-	-	309,327	307,765	1,562	-	-	1,780,395	1,342,542	437,853	
Support Services:												
Pupils	1,510,735	1,490,125	20,610	178,763	178,007	756	-	-	1,689,498	1,668,132	21,366	
Instructional Staff	1,816,434	1,546,839	269,595	318,178	250,586	65,592	-	-	1,932,612	1,797,425	135,187	
Board of Education	15,810	15,064	746	-	-	-	-	-	15,810	15,064	746	
Administration	496,720	455,189	41,521	28,841	25,385	3,456	-	-	525,561	480,584	44,977	
Fiscal	130,369	122,255	8,114	3,304	3,148	156	-	-	133,673	125,403	8,270	
Operation and Maintenance of Plant	48,342	42,464	5,878	-	-	-	-	-	48,342	42,464	5,878	
Pupil Transportation	545,209	529,481	15,728	-	-	-	-	-	545,209	529,481	15,728	
Central	307,495	305,310	2,185	-	-	-	-	-	336,584	334,409	2,185	
Non-Instructional Services	1,200	487	713	5,700	3,918	1,782	-	-	6,900	4,385	2,515	
Total Expenditures	6,141,382	5,541,981	599,401	934,981	836,518	98,463	29,099	29,099	7,105,462	6,407,598	697,864	
Excess of Revenues Over (Under) Expenditures	(347,611)	(250,844)	96,767	(104,528)	(98,718)	64,810	(29,099)	(29,099)	(481,238)	(319,661)	161,577	
Other Financing Sources and Uses												
Operating Transfers In	-	-	-	-	2,400	2,400	-	-	-	2,400	-	2,400
Refund of Prior Year Expenditures	3,000	13,112	10,112	-	-	-	-	-	3,000	13,112	10,112	
Advances In	-	1,335	1,335	-	2,433	2,433	-	-	-	3,768	3,768	
Operating Transfers Out	-	(270)	(270)	-	(3,735)	(3,735)	-	-	-	(4,005)	(4,005)	
Advances Out	-	(2,433)	(2,433)	-	-	-	-	-	-	(2,433)	(2,433)	
Other Financing Uses	(178)	-	178	-	-	-	-	-	(178)	-	178	
Total Other Financing Sources (Uses)	2,822	11,744	8,922	-	1,098	1,098	-	-	2,822	12,842	10,020	
Excess of Rev and Other over Exp and Other...	(344,789)	(239,100)	105,689	(104,528)	(98,620)	65,908	(29,099)	(29,099)	(478,416)	(306,819)	171,597	
Fund Balances at Beginning of Year	247,218	247,218	-	142,728	142,728	-	29,099	29,099	419,045	419,045	-	
Prior Year Encumbrances Appropriated	475,031	475,031	-	6,044	6,044	-	-	-	481,075	481,075	-	
Fund Balance at end of Year	\$377,460	\$483,149	\$105,689	\$44,244	\$110,152	\$65,908	\$0	\$0	\$421,704	\$593,301	\$171,597	

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Type
	Internal Service
Operating Revenues:	
Charges for Services	\$639,494
Total Operating Revenues	639,494
Operating Expenses:	
Purchased Services	44,013
Other	523,907
Total Operating Expenses	567,920
Operating Income	71,574
Non-Operating Revenues and Expenses:	
Interest	18,653
Total Non-Operating Revenues and Expenses	18,653
Net Income	90,227
Retained Earnings at Beginning of Year - Restated	290,056
Retained Earnings at End of Year	\$380,283

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY, OHIO**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Type</u>
	<u>Internal Service</u>
Increase/(Decrease) in Cash & Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Charges for Services	\$639,494
Cash Payments for Contract Services	(44,013)
Other Cash Payments	(486,501)
Net Cash Provided by (Used for) Operating Activities	<u>108,980</u>
Cash Flows from Investing Activities:	
Interest on Investments	18,653
Net Cash Provided by (Used for) Investing Activities	<u>18,653</u>
Net Increase (Decrease) in Cash and Cash Equivalents	127,633
Cash & Cash Equivalents at Beginning of Year	328,288
Cash & Cash Equivalents at End of Year	<u><u>\$455,921</u></u>
Reconciliation of Operating Income to Net	
Cash Provided by (Used for) Operating Activities:	
Operating Income	\$71,574
Adjustments to Reconcile Operating Income	
To Net Cash Provided by (Used for) Operating Activities:	
Increase (Decrease) in Liabilities:	
Claims Payable	37,406
Total Adjustments	<u>37,406</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$108,980</u></u>

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

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999

Note 1 - Description of the Educational Service Center and Reporting Entity

The Columbiana County Educational Service Center (the "Educational Service Center") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Educational Service Center operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. The Board controls the Educational Service Center's support facilities staffed by 40 noncertificated 56 certificated teaching personnel, and three administrators who provide services to 18,408 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds that are not legally separate from the Educational Service Center, this includes all funds and activities whose primary purpose is providing necessary services to area school districts.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt or the levying of taxes. The Educational Service Center had no component units.

The Educational Service Center is associated with certain organizations, which are defined as a Jointly Governed Organization and Public Entity Risk Pools. These organizations are presented in Notes 14 and 15 to the general-purpose financial statements. These organizations include the Area Cooperative Computerized Educational Service System, the Columbiana County Self-Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Capital Projects Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). [During the fiscal year, the Capital Projects Fund was closed. Therefore, no assets, liabilities or fund equity existed as of June 30, 1999.]

Proprietary Fund Type:

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the Educational Service Center on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include trust and agency funds. The Educational Service Center has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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

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

B. Measurement Focus and Basis of Accounting

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

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and customer services.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Data

The budgetary process is prescribed by Section 3317.11 of the Ohio Revised Code. Annually, on or before a date designated by the State Board of Education, the Educational Service Center prepares a budget of operating expenses for the ensuing year on forms prepared and furnished by the State Board of Education and certifies the budget to the State Board of Education, together with such other information as the Board may require. The budget consists of two parts. Part (A) includes the cost of the salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. Part (B) includes the cost of all other lawful expenditures of the County Educational Service Center. The State Board of Education reviews the budget.

Appropriations:

The annual appropriation resolution is enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in budget approved by the State Board of Education. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Investments

To improve cash management, all cash received by the Educational Service Center is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

During the fiscal year, all investments of the Educational Service Center had a maturity of three months or less. These investments are stated at cost, which approximates market. Under existing Ohio statutes, the Board of Education may, by resolution, identify the funds to receive an allocation of interest earnings. During fiscal year 1999, the general fund and self-insurance internal service fund received interest. Interest revenue earned in 1999 totaled \$47,935.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with maturities of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

E. Intergovernmental Revenues

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Entitlements are recorded as receivables and revenues in the period intended to finance. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Eisenhower

Preschool

Praxis III Pilot Program

Entry Year Program

Educational Management Information System

Telecommunity Program

Technology Equity Grant

Ohio Education Broadcasting Network Commission

Accessible Communication Technology Sites - ACTS

American Sign Language Pilot Project

Title VI-B

Goals 2000 Higher Education/Partnership Grant

Grants and entitlements amounted to 47 percent of the Educational Service Center's governmental funds revenue during the 1999 fiscal year.

F. Pass-Through Grants

The Educational Service Center is the primary recipient of grants, which are passed-through to or spent on behalf of the local school districts within the County. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund. Grants in which the Educational Service Center has no financial or administrative role and are passed-through to the local school district in the County are reported in an agency fund.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

G. Fixed Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Assets in the general fixed assets account group are not depreciated.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those, the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund, from which the employees who have accumulated unpaid leave, are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

I. Accrued Liabilities and Long-Term Obligations

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

J. 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.

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

K. Fund Balance Reserves

The Educational Service Center records reservations for portions of fund equity, which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriations for expenditures. Undesignated fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund equity reserves are established for encumbrances.

L. Total Columns on General Purpose Financial Statements

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

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 3 - Fund Deficit

The Eisenhower Grant fund had a deficit fund balance of \$738. The deficit fund balance resulted from adjustments for accrued liabilities. Management is analyzing the fund to see what can be done to eliminate the deficit.

Note 4 - Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual on-GAAP Basis, All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual on-GAAP Basis - Internal Service Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP basis).

The following tables summarize 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
All Governmental Fund Types

	General	Special Revenue	Capital Projects
Budget Basis	(\$239,100)	(\$38,620)	(\$29,099)
Revenue Accruals	(29,012)	0	0
Expenditure Accruals	(186,675)	(13,285)	0
Other Sources/Uses	137,357	(1,098)	0
Encumbrances	692,428	23,450	0
GAAP Basis	<u>\$374,998</u>	<u>(\$29,553)</u>	<u>(\$29,099)</u>

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 5 - Deposits and Investments

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Educational Service Center Treasury, in commercial accounts payable or withdrawal 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 passbook accounts.

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

Interim monies to 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:

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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 prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the Educational Service Center had \$100 in undeposited cash on hand which is included on the balance sheet of the Educational Service Center as part of "equity in pooled cash and cash equivalents".

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

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

At June 30, 1999, the Educational Service Center's self-insurance internal service fund cash balance of \$463,284 can not be identified as either a deposit or investment. The money is held by the claims servicer in a pooled account which is representative of numerous entities.

Deposits: At fiscal year end, the carrying amount of the Educational Service Center's deposits was (\$53,272) and the bank balance was \$58,066. The bank balance was covered by federal depository insurance. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The Educational Service Center's investments are categorized below to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Educational Service Center's name.

	Category <u>3</u>	Carrying Value	Market Value
Repurchase Agreements	\$1,382,773	\$1,382,773	\$1,382,733

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. Reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No.3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 1,792,885	\$ 0
Cash on Hand	(100)	
Investments:		
Repurchase Agreement	(1,382,773)	1,382,773
Money held by fiscal agent for self- insurance internal service fund	(463,284)	0
GASB Statement No. 3	(\$ 53,272)	\$1,382,773

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 6 - State Funding

The Educational Service Center is funded by the State Board of Education from State funds for the cost of Part (A) of the budget. (For an explanation of the budget, see Note 2 - Budgetary Data.)

Part (B) of the budget is funded by the State Board of Education from State funds and participating School Districts. The Educational Service Center receives \$38.50 per student for part (B) funding. Six dollars and fifty cents times the ADM (Total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local School Districts to which the Educational Service Center provides services. These payments are made and received through the State's foundation program. Simultaneously, twenty-nine dollars times the sum of the ADM is paid by the State Board of Education from State funds to the Columbiana County Educational Service Center.

If additional funding is required and if a majority of the boards of education of the local school districts approve, the cost of Part (B) of the budget that is in excess of \$38.50 times the ADM approved by the State Board of Education is apportioned to the local school districts through reductions in their state foundation payments. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

Note 7 - Fixed Assets

A summary of the changes in general fixed assets during fiscal year 1999 follows:

Asset Category	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
Furniture and Equipment	\$ 928,411	\$ 7,060	\$54,977	\$ 880,494
Vehicles	326,543	33,428	32,150	327,821
Capital Lease - Xerox	42,750	13,759	0	56,509
Totals	<u>\$1,297,704</u>	<u>\$ 54,247</u>	<u>\$87,127</u>	<u>\$1,264,824</u>

Note 8 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1999, the Educational Service Center contracted with Nationwide Insurance Company for property and general liability insurance.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Professional liability is protected by the Nationwide Insurance Company with a \$5,000,000 annual aggregate/\$2,000,000 single occurrence limit and no deductible. Vehicles are also covered by Nationwide Insurance Company and hold no deductible for comprehensive and a \$100 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability for property damage and bodily injury, and \$5,000 medical payment coverage per person. Settled claims have not exceeded this coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

For fiscal year 1999, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 and educational service centers that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The Educational Service Center is a member of a claims servicing pool, consisting of area school districts and service centers, within the County, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Educational Service Center's behalf. The claims liability of \$75,638 reported in the internal service fund at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No.10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past fiscal year is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$76,964	\$352,388	\$391,120	\$38,232
1999	\$38,232	\$523,907	\$486,501	\$75,638

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 9 - Defined Benefit Pension Plan

A. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Educational Service Center's contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$40,537, \$39,781, and \$38,235, respectively, equal to the required contributions for each year.

B. State Teachers Retirement System

The Educational Service Center participates in 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, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Plan members are required to contribute 9.3 percent of their covered salary and the Educational Service Center is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. 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 Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$317,609, \$286,438, and \$271,137, respectively; nothing was contributed for fiscal year 1999 and 100 percent was contributed for the fiscal years 1998 and 1997. \$317,609 representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School employees Retirement System or the State Teachers Retirement System has an option to choose Social Security or the School Employees Retirement System/State Teacher Retirement System. As of June 30, 1997, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,156 million on June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8 percent of covered payroll.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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 the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30 percent. 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 1999, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits were \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .450, then adding the surcharge due as of June 30, 1999, as certified to your district by SERS.

Note 11 – Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees, administrators and supervisors earn five to twenty days of vacation per year depending upon length of service. Accumulated unused vacation time is paid upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 200 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum accumulation of 30 days.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

B. Medical Insurance

The Educational Service Center maintains a health and welfare plan that provides medical, dental and prescription drug card benefits. The family annual premium is \$6,973 and single annual premium is \$2,852. These premiums are paid to the Columbiana County Self-Insurance Consortium.

C. Life Insurance

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided by the Columbiana County Self-Insurance Consortium.

Note 12 - Long-Term Obligations

Changes in long-term obligations of the Educational Service Center from June 30, 1998, to June 30, 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Reductions	Principal Outstanding 6/30/99
Compensated Absences	\$77,819	\$13,741	\$0	\$91,360
Intergovernmental	32,542	7,995	0	40,537
Capital Leases	0	55,377	8,694	46,683
Note Payable - Ameritech	191,293	0	80,463	110,830
Totals	\$301,454	\$77,113	\$89,157	\$289,410

Compensated absences and intergovernmental will be paid from the fund from which the employee is paid.

The Capital lease payments and the note payable will be paid from the general fund.

Principal and interest requirements to retire general obligation debt at June 30, 1999 are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2000	\$86,422	\$5,139	\$91,561
2001	24,408	303	24,711
Total	\$110,830	\$5,442	\$116,272

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

Note 13 - Contingencies

A. Grants

The Educational 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 Educational Service Center at June 30, 1999.

B. Litigation

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

Note 14 - Jointly Governed Organization

The Area Cooperative Computerized Educational Service System ("ACCESS"), a computer network which provides data services to twenty-three school districts and service centers, is a jointly governed organization. ACCESS is governed by a Board consisting of one representative, the superintendent or other designee, from each of the participating districts, which exercises total control over the operations including budgeting, appropriating, contracting and designating management. All ACCESS revenues are generated from charges for services and State funding. To obtain financial information write to Area Cooperative Computerized Educational Service System, 2801 Market Street, Youngstown, Ohio 44512.

Note 15 - Public Entity Risk Pools

A. Insurance Purchasing Pool

The Educational 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participants pay an embroilment fee to the GRP to cover the costs of administering the program.

Columbiana County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
(Continued)

B. Claims Servicing Pool

The Columbiana County Self-Insurance Consortium is a claim's servicing pool, which is comprised of six participating members. The members are Salem City School District, United Local School District, East Palestine City School District, Columbiana County Educational Service Center, Columbiana County Career Center, and Southern Local School District. Each district is represented on the Board of Directors by the respective superintendent (treasurer is alternate). The Board of Directors act as the budgeting authority with Salem City School District as the fiscal agent. Professional Risk Management, Inc. serves the consortium as the claims servicing agent.

Note 16 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly 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 School District. During the fiscal year ended June 30, 1999, the School District received \$2,246,741 of school foundation support for its general fund.

Since the Supreme Court Ruling, numerous pieces of legislation have been passed by the Ohio 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in the Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Note 17 - Prior Period Adjustment

<u>Retained Earnings</u>	<u>Adjustment</u>	<u>Retained Earnings</u>
at 06/30/98		at 06/30/98
\$317,492	\$27,436	\$290,056

Retained earnings were restated for improper accounting of claim payments.

COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION						
Telecommunications		84.XXX	8,698	0	8,075	0
<i>Passed Through Ohio Department of Education:</i>						
Special Education - Grants to States	046417-6B-SF	84.027	305,828	0	305,828	0
Special Education - Preschool Grants	046417-PG-S1	84.173	21,801	0	21,801	0
Total Special Education Cluster			327,629	0	327,629	0
Eisenhower Professional Development State Grants	046417-MS-S1 046417-MS-S1 046417-MS-S1	84.281	12,740 45,011 14,220	0 0 0	14,079 35,049 10,550	0 0 0
Total Eisenhower Grants			71,971	0	59,678	0
Goals 2000 - State and Local Education Systematic Improvement Grants	046417-G2-S3 046417-G2-S3	84.276	33,861 128,416	0	116,955 85,415	0
Total Goals 2000 Grants			162,277	0	202,370	0
Total Passed Through Ohio Department of Education			561,877	0	589,677	0
Total Department of Education			570,575	0	597,752	0
Totals			\$570,575	\$0	\$597,752	\$0

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY
FISCAL YEAR ENDED JUNE 30, 1999**

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.



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**

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, OH 44432

We have audited the financial statements of Columbiana County Educational Service Center, Columbiana County, as of and for the year ended June 30, 1999, and have issued our report thereon dated February 25, 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

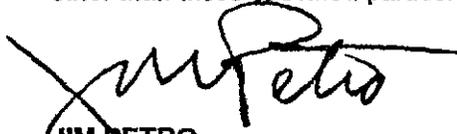
As part of obtaining reasonable assurance about whether the Columbiana County Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have 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*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Columbiana County Educational Service Center in a separate letter dated February 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Columbiana 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 Columbiana County Educational Service Center in a separate letter dated February 25, 2000.

Columbiana County Educational Service Center
Columbiana 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 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

February 25, 2000



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

Columbiana County Educational Service Center
Columbiana County
38720 Saltwell Road
Lisbon, OH 44432

Compliance

We have audited the compliance of the Columbiana 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, 1999. The Columbiana County 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 each of its major federal programs is the responsibility of the Columbiana County Educational Service Center's management. Our responsibility is to express an opinion on the Columbiana County 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 Columbiana 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 the Columbiana County Educational Service Center's compliance with those requirements.

In our opinion, the Columbiana County 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, 1999.

Internal Control Over Compliance

The management of the Columbiana 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 the Columbiana 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.

Columbiana County Educational Service Center
Columbiana County
*Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and Internal
Control over Compliance in Accordance with OMB Circular A-133*
Page 2

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, the 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

February 25, 2000

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

**COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER
COLUMBIANA COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Goals 2000 (CFDA # 84.276)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	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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COLUMBIANA COUNTY EDUCATIONAL SERVICE CENTER

COLUMBIANA 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.

By: *Susan Babbitt*

Date: MARCH 28, 2000