

**MAHONING COUNTY
EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2000***

CINDY LENGYEL, TREASURER



STATE OF OHIO
OFFICE OF THE AUDITOR

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Governing Board
Mahoning County Educational Service Center
2801 Market Street, Room 202
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We have reviewed the independent auditor's report of the Mahoning County Educational Service Center, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mahoning County Educational Service Center is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 29, 2000

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY, OHIO**

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Independent Auditor's Report

Governing Board
Mahoning County Educational Service Center
2801 Market Street
Youngstown, OH 44507

We have audited the accompanying general purpose financial statements of the Mahoning County Educational Service Center (the "ESC"), Mahoning County, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the ESC'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 the 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 Mahoning County Educational Service Center, Mahoning County, as of June 30, 2000, and the results of its operations 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 November 3, 2000, on our consideration of the ESC'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.

Mahoning County Educational Service Center
Independent Auditor's Report

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the ESC, taken as a whole. The accompanying schedule of expenditures of federal awards 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.

Trimble, Julian & Grube, Inc.
November 3, 2000

Mahoning County Educational Service Center
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$2,467,370	\$1,084,285	\$284,207
Receivables:			
Accounts	315	0	0
Intergovernmental	919,254	0	0
Materials and Supplies			
Inventory	14,266	0	0
Fixed Assets	0	0	0
<u>Other Debits:</u>			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$3,401,205	\$1,084,285	\$284,207
<u>Liabilities, Fund Equity and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$6,754	\$126,951	\$140,191
Accrued Wages and Benefits	563,840	159,881	0
Compensated Absences Payable	6,211	0	0
Intergovernmental Payable	512,112	107,836	0
Deferred Revenue	899,510	0	0
Undistributed Monies	0	0	0
Total Liabilities	1,988,427	394,668	140,191
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	85,103	568,593	87,171
Reserved for Materials and Supplies Inventory	14,266	0	0
Unreserved, Undesignated	1,313,409	121,024	56,845
Total Fund Equity and Other Credits	1,412,778	689,617	144,016
Total Liabilities, Fund Equity and Other Credits	\$3,401,205	\$1,084,285	\$284,207

See accompanying Notes to the General Purpose Financial Statements.

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
Agency	General Fixed Assets	General Long-Term Obligations	
\$1,105,608	\$0	\$0	\$4,941,470
12,230	0	0	12,545
20,899	0	0	940,153
0	0	0	14,266
0	629,531	0	629,531
<u>0</u>	<u>0</u>	<u>192,490</u>	<u>192,490</u>
<u>\$1,138,737</u>	<u>\$629,531</u>	<u>\$192,490</u>	<u>\$6,730,455</u>
71,261	\$0	\$0	\$345,157
60,122	0	0	783,843
3,719	0	154,785	164,715
52,276	0	37,705	709,929
0	0	0	899,510
951,359	0	0	951,359
<u>1,138,737</u>	<u>0</u>	<u>192,490</u>	<u>3,854,513</u>
0	629,531	0	629,531
0	0	0	740,867
0	0	0	14,266
<u>0</u>	<u>0</u>	<u>0</u>	<u>1,491,278</u>
<u>0</u>	<u>629,531</u>	<u>0</u>	<u>2,875,942</u>
<u>\$1,138,737</u>	<u>\$629,531</u>	<u>\$192,490</u>	<u>\$6,730,455</u>

Mahoning County Educational Service Center
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<u>Revenues:</u>				
Intergovernmental	\$2,641,671	\$4,131,024	\$710,213	\$7,482,908
Interest	300,166	0	0	300,166
(Decrease) in Fair Value of Investments	(9,406)	0	0	(9,406)
Tuition and Fees	2,497,604	0	0	2,497,604
Gifts and Donations	1,000	0	0	1,000
Customer Services	408,275	0	0	408,275
Miscellaneous	3,367	0	0	3,367
	<u>5,842,677</u>	<u>4,131,024</u>	<u>710,213</u>	<u>10,683,914</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	328,871	130,540	0	459,411
Special	1,803,145	652,566	0	2,455,711
Vocational	65,128	0	0	65,128
Support Services:				
Pupils	1,545,505	820,678	587,414	2,953,597
Instructional Staff	1,319,396	1,258,263	0	2,577,659
Governing Board	19,705	0	0	19,705
Administration	159,964	182,302	0	342,266
Fiscal	149,002	62,588	0	211,590
Business	56,891	16,298	0	73,189
Operation and Maintenance of Plant	10,110	122,498	0	132,608
Pupil Transportation	0	458,394	0	458,394
Central	100,023	33,035	0	133,058
Operation of Non-Instructional Services	0	141,351	0	141,351
Capital Outlay	0	2,412	33,191	35,603
Intergovernmental	0	23,326	0	23,326
	<u>5,557,740</u>	<u>3,904,251</u>	<u>620,605</u>	<u>10,082,596</u>
Excess of Revenues Over Expenditures	284,937	226,773	89,608	601,318
Fund Balances at Beginning of Year - Restated	1,128,144	462,844	54,408	1,645,396
Decrease in Materials and Supplies Inventory	(303)	0	0	(303)
Fund Balances at End of Year	<u>\$1,412,778</u>	<u>\$689,617</u>	<u>\$144,016</u>	<u>\$2,246,411</u>

See accompanying Notes to the General Purpose Financial Statements.

Mahoning County Educational Service Center
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$2,580,500	\$2,621,927	\$41,427	\$4,387,405	\$4,219,025	(\$168,380)
Interest	280,000	300,616	20,616	0	0	0
Tuition and Fees	2,492,433	2,497,289	4,856	0	0	0
Gifts and Donations	2,520	1,000	(1,520)	0	0	0
Customer Services	380,300	408,275	27,975	0	0	0
Miscellaneous	1,461	3,546	2,085	0	0	0
Total Revenues	5,737,214	5,832,653	95,439	4,387,405	4,219,025	(168,380)
Expenditures:						
Current:						
Instruction:						
Regular	398,708	442,885	(44,177)	224,971	105,789	119,182
Special	1,771,376	1,747,099	24,277	666,922	786,797	(119,875)
Vocational	68,688	65,711	2,977	0	0	0
Support Services:						
Pupils	1,599,327	1,589,661	9,666	1,060,475	1,145,069	(84,594)
Instructional Staff	1,408,749	1,398,315	10,434	1,427,132	1,316,241	110,891
Governing Board	20,747	17,560	3,187	0	0	0
Administration	166,320	160,863	5,457	184,662	203,318	(18,656)
Fiscal	160,145	153,155	6,990	79,900	65,577	14,323
Business	73,065	59,843	13,222	16,266	16,266	0
Operation and Maintenance of Plant	15,631	10,632	4,999	138,940	128,769	10,171
Pupil Transportation	0	0	0	435,108	470,590	(35,482)
Central	106,560	110,519	(3,959)	29,258	33,139	(3,881)
Operation of Non-Instructional Services	0	0	0	193,143	194,854	(1,711)
Intergovernmental	0	0	0	23,595	23,595	0
Total Expenditures	5,789,316	5,756,243	33,073	4,480,372	4,490,004	(9,632)
Excess of Revenues Over (Under) Expenditures	(52,102)	76,410	128,512	(92,967)	(270,979)	(178,012)
Other Financing Sources (Uses):						
Advances In	40,000	40,000	0	0	0	0
Advances Out	0	0	0	(40,000)	(40,000)	0
Total Other Financing Sources (Uses)	40,000	40,000	0	(40,000)	(40,000)	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(12,102)	116,410	128,512	(132,967)	(310,979)	(178,012)
Fund Balances at						
Beginning of Year	1,814,083	1,814,083	0	324,848	324,848	0
Prior Year Encumbrances Appropriated	86,630	86,630	0	327,598	327,598	0
Fund Balances at End of Year	\$1,888,611	\$2,017,123	\$128,512	\$519,479	\$341,467	(\$178,012)

See accompanying Notes to the General Purpose Financial Statements.

Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,019	\$3,019	\$0	\$6,970,924	\$6,843,971	(\$126,953)
0	0	0	280,000	300,616	20,616
0	0	0	2,492,433	2,497,289	4,856
707,194	707,194	0	709,714	708,194	(1,520)
0	0	0	380,300	408,275	27,975
0	0	0	1,461	3,546	2,085
<u>710,213</u>	<u>710,213</u>	<u>0</u>	<u>10,834,832</u>	<u>10,761,891</u>	<u>(72,941)</u>
0	0	0	623,679	548,674	75,005
0	0	0	2,438,298	2,533,896	(95,598)
0	0	0	68,688	65,711	2,977
0	0	0	2,659,802	2,734,730	(74,928)
733,744	712,505	21,239	3,569,625	3,427,061	142,564
0	0	0	20,747	17,560	3,187
0	0	0	350,982	364,181	(13,199)
0	0	0	240,045	218,732	21,313
0	0	0	89,331	76,109	13,222
0	0	0	154,571	139,401	15,170
0	0	0	435,108	470,590	(35,482)
0	0	0	135,818	143,658	(7,840)
0	0	0	193,143	194,854	(1,711)
0	0	0	23,595	23,595	0
<u>733,744</u>	<u>712,505</u>	<u>21,239</u>	<u>11,003,432</u>	<u>10,958,752</u>	<u>44,680</u>
<u>(23,531)</u>	<u>(2,292)</u>	<u>21,239</u>	<u>(168,600)</u>	<u>(196,861)</u>	<u>(28,261)</u>
0	0	0	40,000	40,000	0
0	0	0	(40,000)	(40,000)	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(23,531)	(2,292)	21,239	(168,600)	(196,861)	(28,261)
41,333	41,333	0	2,180,264	2,180,264	0
<u>17,802</u>	<u>17,802</u>	<u>0</u>	<u>432,030</u>	<u>432,030</u>	<u>0</u>
<u>\$35,604</u>	<u>\$56,843</u>	<u>\$21,239</u>	<u>\$2,443,694</u>	<u>\$2,415,433</u>	<u>(\$28,261)</u>

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1 - Description of the Educational Service Center

On July 18, 1914, the Mahoning County Governing Board was formed. In 1996 the Governing Board, as required by state law, underwent a name change to the Mahoning County Educational Service Center ("the ESC"). The ESC provides administrative, curricular, instructional, pupil personnel and professional staff development services to local school districts. Direct instructional programs are provided to preschool students and their families.

The ESC operates under a locally-elected five-member Governing Board form of government and provides educational services as mandated by state and federal agencies. The Governing Board oversees the ESC's operation and its staff of 100 certificated and 60 non-certificated personnel. Staff members support the educational efforts of 11 local school districts and their 23,774 students.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the ESC 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 more significant of the ESC's accounting policies are described below.

A. 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 ESC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this is providing necessary services to local school districts.

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

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The ESC is associated with two organizations which are defined as Jointly Governed Organizations. The ESC is also associated with two public entity risk pools and a related organization. The jointly governed organizations are presented in Note 9 to the general purpose financial statements, the public entity risk pools are presented in Note 17, and the related organization is presented in Note 18. These organizations are:

Area Cooperative Computerized Educational Service System
North East Ohio Special Education Regional Resource Center
Ohio School Boards Association Workers' Compensation Group Rating Program
Mahoning County Insurance Consortium
Mahoning County Career and Technical Center

B. Basis Of Presentation - Fund Accounting

The ESC 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 ESC 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 ESC are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the ESC are financed. The acquisition, use and balances of the ESC's expendable financial resources and the related current liabilities are accounted for through governmental funds. The following are the ESC's governmental fund types:

General Fund The general fund is the operating fund of the ESC 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 ESC for any purpose provided it is expended or transferred according to the general laws of Ohio.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

Capital Projects Fund The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the ESC in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The ESC 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:

General Fixed Assets Account Group This account group is established to account for all fixed assets of the ESC.

General Long-Term Obligations Account Group This account group is established to account for all long-term obligations of the ESC.

C. 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.

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 ESC is sixty days after year end.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

The ESC reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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.

D. 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, each ESC prepares a budget of operating expenses for the ensuing year for all funds 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 State Board of Education may require. The budget consists of two parts. Part (A) includes the cost of the salaries, employers 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 ESC. The State Board of Education reviews the budget. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Appropriations The annual appropriation resolution must be legally enacted by the Governing Board at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Governing Board may pass a temporary appropriation measure to meet the ordinary expenses of the ESC. The Appropriation resolution, by fund, must be within the estimated resources as submitted to the State and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Governing Board. The Governing Board has elected to present budgetary statement comparisons at the fund and function level of expenditures. The Governing Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Board of Education. During the year, several appropriation amendments were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including any supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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.

E. Cash and Cash Equivalents

To improve cash management, cash received by the ESC is pooled. Monies for all funds are maintained in this pool. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to repurchase agreements, Federal National Mortgage Association securities, Federal Home Loan Bank Notes and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$300,166, which includes \$149,128 assigned from other ESC funds.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

F. Materials and Supplies Inventory

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

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and related assets are reported in the general fixed assets account group. All fixed assets are capitalized at cost (or estimated historical cost). Donated fixed assets are recorded at their fair market value as of the date received. The ESC maintains a capitalization threshold of three hundred dollars. The ESC does not possess any 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. Interest incurred during the construction of general fixed assets is also not capitalized.

H. 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. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

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

Entitlements

General Fund

State Foundation Program

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B
Head Start
Eisenhower Professional Development Block Grant
Entry Year
Safe and Drug-Free Schools
Educational Management Information System
Special Education - Preschool
Ohio Reads
Alternative Programs
Family Stability Grant
Early Start
Goals 2000
Continuous Improvement Grant
Community Alternative Funding Program (CAFS)

Capital Projects Fund

School Net

Reimbursable Grants

Special Revenue Fund

Child Care Food Program

Grants and entitlements amounted to 63 percent of the ESC's operating revenue during the 2000 fiscal year.

I. Pass-Through Grants

The ESC 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 ESC 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 ESC has no financial or administrative role and are passed-through to the local School Districts in the county are reported in an agency fund.

J. Short-Term Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable/payables." The ESC did not have these at June 30, 2000.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

K. Compensated Absences

The ESC reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the ESC will compensate the employees for the benefits through paid time off or some other means. The ESC 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 termination payment method. The liability is an estimate of the ESC's past experience of making termination payments. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments.

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.

L. 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 judgements, 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 obligation account group to the extent that they will not be paid with current expendable available 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.

M. 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 non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

N. Fund Balance Reserves

The ESC 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. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances and materials and supplies inventory.

O. Estimates

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

P. 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 or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 3 - Restatement of Fund Balance

The special revenue fund's fund balance increased due to the overstatement of accounts payable in the Other Local Grants Fund (a special revenue fund). At June 30, 1999, the Special Revenue Fund type was restated from \$457,948 to \$462,844, an increase of \$4,896.

Note 4 - Budgetary Basis of Accounting

While the ESC is reporting financial position, results of operations and changes in fund balance 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 (Non-GAAP Basis) and Actual, All Governmental Fund Types is 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).

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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 (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
GAAP Basis	\$284,937	\$226,773	\$89,608
Revenue Accruals	(19,430)	88,001	0
Fair Value Adjustment for Investments	9,406	0	0
Advance In	40,000	0	0
Expenditure Accruals	(108,979)	245,804	(74,848)
Advance Out	0	(40,000)	0
Encumbrances	(89,524)	(831,557)	(17,052)
Budget Basis	\$116,410	(\$310,979)	(\$2,292)

Note 5 - Fund Deficits and Compliance

Fund Deficits

At June 30, 2000, the Head Start special revenue fund had a deficit fund balance of \$6,755 which was created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Note 6 - Deposits and Investments

State statutes require the classification of monies held by the ESC into three categories.

Category 1 consists of “active” monies, those monies required to be kept in a “cash” or “near-cash” status for immediate use by the ESC. Such monies must be maintained either as cash in the ESC Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Category 2 consists of “inactive” monies, those monies not required for use within the current period of designation of depositories. Inactive monies must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or as savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of “interim” monies, 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 ESC’s deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as a security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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-loan money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligation, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Deposits At year-end, the carrying amount of the ESC's deposits was (\$964,065) and the bank balance was \$151,634. \$101,620 of the bank balance was covered by federal depository insurance. \$50,014 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the ESC's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the ESC to a successful claim by the Federal Deposit Insurance Corporation. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the ESC's bank accounts.

Investments GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the ESC to categorize investments to give an indication of the level of risk assumed by the ESC at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the ESC or its agent in the ESC's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the ESC'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 ESC's name. The ESC invests in Star Ohio which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Amount	Fair Value
Repurchase Agreement	\$544,000	\$544,000	\$544,000
Federal Home Loan Bank Notes	641,095	641,095	641,095
Federal National Mortgage Association Notes	496,400	496,400	496,400
STAR Ohio	0	4,224,040	4,224,040
Total Investments	<u>\$1,681,495</u>	<u>\$5,905,535</u>	<u>\$5,905,535</u>

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement 9	\$4,941,470	\$0
Investments which are part of a cash management pool:		
Repurchase Agreement	(544,000)	544,000
Federal Home Loan Bank Notes	(641,095)	641,095
Federal National Mortgage Association Notes	(496,400)	496,400
STAR Ohio	(4,224,040)	4,224,040
GASB Statement 3	(\$964,065)	\$5,905,535

Note 7 - Receivables

Receivables at June 30, 2000, consisted primarily of excess costs and customer services. All receivables are considered collectible in full. A summary of the principle items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Excess Cost	\$919,254
Agency Funds:	
Computer Network	960
Family and Children First	19,939
Total Agency	20,899
Grand Total	\$940,153

Note 8 - State Funding

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

Part (B) of the budget is funded \$35.50 in the following way: six dollars and fifty cents times the ADM (Total number of pupils under the ESC's supervision) is apportioned by the State Governing Board among the local school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, twenty-nine dollars times the sum of ADM is paid by the State Governing Board from State funds of the County ESC.

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 \$35.50 times the ADM approved by the State Governing Board is apportioned to the local school districts through reductions in their state foundation. The State Governing Board initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 9 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System

The Area Cooperative Computerized Educational Service System is a jointly governed organization among twenty-three school districts. 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. The nine member board of directors consists of three treasurers and six superintendents from participating school districts. The degree of control exercised by any participating School District is limited to its representation on the board. Mahoning County Educational Service Center is the fiscal agent for the network. The assembly exercises total control over the operation of the consortium including budgeting, appropriating, contracting and designating management. All the consortium revenues are generated from charges for services and State funding.

B. North East Ohio Special Education Regional Resource Center (NEOSERRC)

NEOSERRC is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. NEOSERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the board. The ESC serves as fiscal agent for NEOSERRC which is accounted for in an agency fund.

Note 10 - Fixed Assets

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

	Balance 6/30/99	Additions	Deletions	Balance 6/30/00
Furniture and Equipment	\$520,459	\$79,351	\$0	\$599,810
Vehicles	29,721	0	0	29,721
Total	\$550,180	\$79,351	\$0	\$629,531

There was no construction in progress at June 30, 2000.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 11 - Risk Management

A. Property and Liability

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the ESC contracted with Cincinnati Insurance Company for property and general liability insurance.

Professional liability is provided by the Nationwide Insurance Company with a \$5,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible. Vehicles are covered by Nationwide Insurance Company and hold a \$50 deductible for comprehensive and a \$250 deductible for collision. Automobile liability has a \$500,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2000, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual performance 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 members that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The ESC has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical, dental and prescription drug benefits. The ESC contributes \$300.00 toward medical/surgical premiums of \$437.09 for family coverage and pays \$178.26 for single coverage. Monthly premiums for prescription drug insurance are \$70.44 for single coverage and \$157.06 for family coverage, of which the ESC contributes \$38.41. Premiums for dental coverage are \$53.67 monthly on a composite basis and the ESC contributes \$42.44.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 12 - Defined Benefit Pension Plan

A. School Employees Retirement System

The ESC 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$178,331, \$132,791, and \$131,822, respectively; 73 percent has been contributed for the fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$48,347 represents the unpaid contribution for fiscal year 2000, and is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The ESC's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$231,249, \$284,687, and \$325,737, respectively; 90 percent has been contributed for the fiscal year 2000 and 100 percent has been contributed for the fiscal years 1999 and 1998. \$23,790 represents the unpaid contribution for the fiscal year 2000 and 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 have an option to choose social security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, one Governing Board member has elected social security. The board's liability is 6.2 percent of wages paid.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the ESC, this amount equaled \$308,332 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2.783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.20 percent from fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the ESC, the amount contributed to fund health care benefits, including surcharge, during the 2000 fiscal year equaled \$327,011.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

Note 14 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from the negotiated agreement and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and certificated personnel employed for less than 260 days do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to 245 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 51 days.

B. Medical and Life Insurance

The ESC provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life Insurance Company, in the amount of \$25,000.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 15 - Long Term Obligations

Changes in long-term obligations of the ESC from June 30, 1999 to June 30, 2000, were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
General Long-Term Obligations:				
Compensated Absences	\$122,279	\$32,506	\$0	\$154,785
Pension Obligation	49,912	37,705	(49,912)	37,705
<i>General Long-Term Obligations:</i>	<u>\$172,191</u>	<u>\$70,211</u>	<u>(\$49,912)</u>	<u>\$192,490</u>

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension obligations paid outside the available period and will be paid from the fund from which the person is paid.

Note 16 - Contingencies

A. Grants

The ESC 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 ESC at June 30, 2000.

B. Litigation

The Mahoning County ESC is not currently party to any legal proceedings.

C. School Foundation Money

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the ESC. During the fiscal year ended June 30, 2000, the ESC received \$4,817,577 of school foundation support for its general fund.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County 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. On May 11, 2000, the Ohio Supreme court rendered a opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant[ing] further attention, study, and development by the General Assembly...”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

As of the date of these financial statements, the ESC 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 - Public Entity Risk Pools

A. Insurance Purchasing Pool

The ESC participates in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating members pay an enrollment fee to the GRP to cover the cost of administering the program.

B. Shared Risk Pool

The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Mahoning County Educational Service Center
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 18 - Related Organization

The Mahoning County Career and Technical Center is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The five members of the Governing Board of the ESC are also members of the Governing Board of the Mahoning County Career and Technical Center which includes two other members. The Governing Board of the ESC cannot directly impose their will on the Mahoning County Career and Technical Center.

SUPPLEMENTAL DATA

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U. S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Child Care Food Program	10.558	N/A	\$13,836	\$13,836
Total U.S. Department of Agriculture			<u>13,836</u>	<u>13,836</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Special Education Grant Cluster:				
(A) Title VI-B - Education of the Handicapped Act	84.027	48280-6B-S1-99	92,395	212,704
(A) Title VI-B - Education of the Handicapped Act	84.027	48280-6B-S1-99P	862,558	744,840
(A) (C) Title VI-B - Education of the Handicapped Act	84.027	N/A	0	2,550
(A) (C) Title VI-B - Education of the Handicapped Act	84.027	N/A	<u>3,500</u>	<u>3,000</u>
Total Title VI - B			<u>958,453</u>	<u>963,094</u>
(A) Special Education-Preschool	84.173	48280-PG-S1-99P	96,649	97,786
(A) Special Education-Preschool	84.173	48280-PG-S1-00	<u>11,250</u>	<u>11,121</u>
Total Special Education Preschool Grant			<u>107,899</u>	<u>108,907</u>
Total Special Education Grant Cluster			<u>1,066,352</u>	<u>1,072,001</u>
Project L.I.F.E.	84.158	48280-PF-S1-98P	<u>20,000</u>	<u>20,000</u>
Safe and Drug - Free Schools	84.186	48280-DR-S2-98C	<u>29,736</u>	<u>45,368</u>
Even Start Grant	84.213	48280-EV-S2-99	0	57,515
Even Start Grant	84.213	48280-EV-S2-00	<u>152,475</u>	<u>124,938</u>
Total Even Start			<u>152,475</u>	<u>182,453</u>
Goals 2000	84.276	48280-G2-S3-98C	4,755	75,636
Goals 2000	84.276	48280-G2-S5-99	11,016	25,692
Goals 2000	84.276	48280-G2-S3-00	80,000	68,650
Goals 2000	84.276	48280-G2-S4-99	100,000	79,630
Goals 2000	84.276	48280-G2-S9-00	<u>35,000</u>	<u>35,000</u>
Total Goals 2000			<u>230,771</u>	<u>284,608</u>
Eisenhower Professional Development Grant	84.281	48280-MS-S1-91	0	500
Eisenhower Professional Development Grant	84.281	48280-MS-S1-97	34,957	0
Eisenhower Professional Development Grant	84.281	48280-MS-S1-98	0	19,997
Eisenhower Professional Development Grant	84.281	48280-MS-S1-98P	0	30,764
Eisenhower Professional Development Grant	84.281	48280-MS-S1-99	12,920	27,257
Eisenhower Professional Development Grant	84.281	48280-MS-S1-99C	66,456	66,456
Eisenhower Professional Development Grant	84.281	48280-MS-S2-00	<u>22,556</u>	<u>2,436</u>
Total Eisenhower Professional Development Grant			<u>136,889</u>	<u>147,410</u>
Total U. S. Department of Education			<u>1,636,223</u>	<u>1,751,840</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICE PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL HEALTH:				
Family Stability Grant	93.556	N/A	182,900	123,813
Family Stability Grant	93.556	N/A	<u>140,687</u>	<u>14,068</u>
Total Family Stability Grant			<u>323,587</u>	<u>137,881</u>
PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:				
Community Alternative Funding System Program	93.778	N/A	<u>202,943</u>	<u>202,943</u>
Total U. S. Department of Health and Human Services			<u>526,530</u>	<u>340,824</u>
Total Federal Financial Assistance			<u>\$2,176,589</u>	<u>\$2,106,500</u>

- (A) Included as part of "Special Education Grant Cluster" in determining major programs.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Passed through Central Ohio Special Education Regional Resource Center.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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Report on Compliance and on Internal Control Required By *Government Auditing Standards*

Governing Board
Mahoning County Educational Service Center
2801 Market Street
Youngstown, OH 44507

We have audited the general purpose financial statements of Mahoning County Educational Service Center (the "ESC") as of and for the year ended June 30, 2000, and have issued our report thereon dated November 3, 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 ESC's general purpose 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*.

Governing Board
Mahoning County Educational Service Center

Internal Control Over Financial Reporting

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

This report is intended for the information and use of management, the Governing Board of Mahoning County Educational Service Center, 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.

Trimble, Julian & Grube, Inc.
November 3, 2000

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Report on Compliance with Requirements Applicable to Its Major Federal Program and Internal Control Over Compliance in Accordance with *OMB Circular A-133*

Governing Board
Mahoning County Educational Service Center
2801 Market Street
Youngstown, OH 44507

Compliance

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

Governing Board
Mahoning County Educational Service Center

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

Internal Control Over Compliance

The management of the ESC 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 ESC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

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

This report is intended for the information and use of management, the Governing Board of Mahoning County Educational Service Center, 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.

Trimble, Julian & Grube, Inc.
November 3, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

MAHONING COUNTY EDUCATIONAL SERVICE CENTER
MAHONING COUNTY
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Program:</i>	Special Education Grant Cluster: Title VI-B - Education of the Handicapped Act, CFDA #84.027; and Special Education - Preschool, CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	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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MAHONING COUNTY EDUCATIONAL SERVICE CENTER

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**