

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

**BASIC FINANCIAL STATEMENTS  
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008***

**CYNTHIA LENGYEL, TREASURER**





Mary Taylor, CPA  
Auditor of State

Governing Board  
Mahoning County Educational Service Center  
100 DeBartolo Pl., Suite 220  
Youngstown, Ohio 44512

We have reviewed the *Independent Auditor's Report* of the Mahoning County Educational Service Center, Mahoning County, prepared by Julian & Grube, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 17, 2009

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Governing Board  
Mahoning County Educational Service Center  
100 DeBartolo Pl., Suite 220  
Youngstown, Ohio 44512

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mahoning County Educational Service Center, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2008, which collectively comprise the Mahoning County Educational Service Center's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Mahoning County Educational Service Center's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mahoning County Unlimited Classroom, the Mahoning County Educational Service Center's only discretely presented component unit. Mahoning County Unlimited Classroom financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mahoning County Educational Service Center is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mahoning County Educational Service Center, Mahoning County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report  
Mahoning County Educational Service Center  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2009, on our consideration of Mahoning County Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

For the budgetary comparison information and notes on pages 43 - 46, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mahoning County Educational Service Center's basic financial statements. The accompanying schedule of receipts and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Julian & Grube, Inc.

April 5, 2009, except for The Unlimited Classroom Community School which is dated June 1, 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The management's discussion and analysis of the Mahoning County Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the ESC's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$12,314 which represents a 0.21% increase from 2007.
- General revenues accounted for \$2,257,161 in revenue or 10.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$19,134,455 or 89.45% of total revenues of \$21,391,616.
- The ESC had \$21,379,302 in expenses related to governmental activities; \$19,134,455 of these expenses was offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily unrestricted grants and entitlements) of \$2,257,161 were adequate to provide for these programs.
- The ESC's major governmental funds are the general fund and early learning initiative fund. The general fund had \$14,473,873 in revenues and \$14,469,343 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$4,530 from \$2,596,465 to \$2,600,995.
- The early learning initiative fund had \$5,021,143 in revenues and \$4,768,305 in expenditures.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the ESC as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole ESC, presenting both an aggregate view of the ESC's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the ESC's most significant funds with all other nonmajor funds presented in total in one column. In the case of the ESC, the general fund and early learning initiative fund are by far the most significant funds, and the only governmental funds reported as major funds.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Reporting the ESC as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the ESC's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the ESC as a whole, the *financial position* of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the ESC's property tax base, current property tax laws in Ohio restricting revenue growth, facility issues, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the ESC's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The government-wide financial statements include not only the activity of Mahoning County Educational Service Center itself (known as the primary government), but also a separate community school for which the ESC is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government.

The ESC's statement of net assets and statement of activities can be found on pages 12-13 of this report.

**Reporting the ESC's Most Significant Funds**

***Fund Financial Statements***

The analysis of the ESC's major governmental funds begins on page 9. Fund financial reports provide detailed information about the ESC's major funds. The ESC uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the ESC's most significant funds. The ESC's major governmental funds are the general fund and early learning initiative fund.

***Governmental Funds***

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 14-17 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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***Reporting the ESC's Fiduciary Responsibilities***

The ESC acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the ESC's fiduciary activities are reported in a separate statement of fiduciary net assets on page 18. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-42 of this report.

**The ESC as a Whole**

Recall that the statement of net assets provides the perspective of the ESC as a whole.

The table below provides a summary of the ESC's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 7,503,593	\$ 7,734,708
Capital assets	<u>563,802</u>	<u>527,429</u>
Total assets	<u>8,067,395</u>	<u>8,262,137</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,683,406	1,913,229
Long-term liabilities	<u>438,026</u>	<u>415,259</u>
Total liabilities	<u>2,121,432</u>	<u>2,328,488</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	563,802	527,429
Restricted	1,617,467	1,433,664
Unrestricted	<u>3,764,694</u>	<u>3,972,556</u>
Total net assets	<u>\$ 5,945,963</u>	<u>\$ 5,933,649</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the ESC's assets exceeded liabilities by \$5,945,963. Of this total, \$3,764,694 is unrestricted in use.

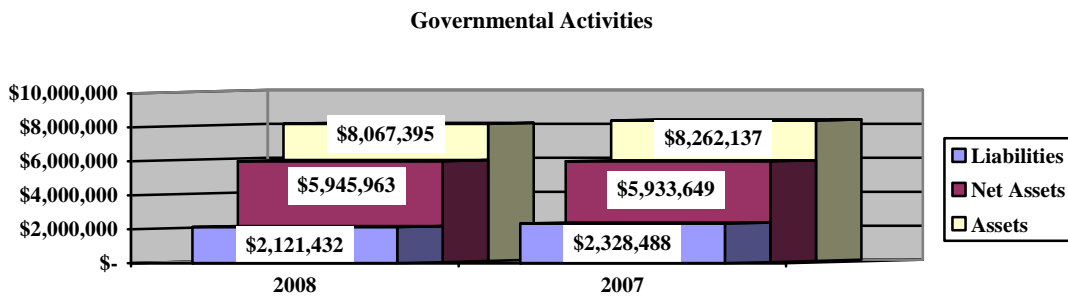
**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

At June 30, 2008 and 2007, capital assets represented 6.99% and 6.38%, respectively, of total assets. Capital assets include furniture and equipment and vehicles. Capital assets, net of accumulated depreciation, at June 30, 2008 and 2007 were \$563,802 and \$527,429, respectively. These capital assets are used to provide services to the students and are not available for future spending.

At June 30, 2008, a portion of the ESC's net assets, \$1,617,467, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets at June 30, 2008 of \$3,764,694 may be used to meet the ESC's ongoing obligations to the students and creditors.

The table below illustrates the ESC's assets and liabilities and net assets at June 30, 2008 and 2007.



The table below shows the change in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 11,870,981	\$ 11,063,758
Operating grants and contributions	7,251,241	6,375,574
Capital grants and contributions	12,233	5,700
General revenues:		
Grants and entitlements	1,928,862	2,210,368
Investment earnings	187,213	366,346
Other	141,086	57,747
Total revenues	<u>21,391,616</u>	<u>20,079,493</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,027,161	\$ 648,377
Special	5,484,655	5,143,710
Vocational	82,485	87,033
Adult continuing	792	8,781
Support services:		
Pupil	4,366,229	3,996,496
Instructional staff	4,633,022	5,280,060
Board of education	95,375	89,041
Administration	867,870	638,819
Fiscal	1,183,095	1,113,379
Business	332,023	310,332
Operations and maintenance	401,781	300,991
Pupil transportation	7,314	6,554
Central	2,880,350	2,248,955
Operations of non-instructional services	<u>17,150</u>	<u>1,901</u>
Total expenses	<u>21,379,302</u>	<u>19,874,429</u>
Change in net assets	12,314	205,064
Net assets at beginning of year	<u>5,933,649</u>	<u>5,728,585</u>
Net assets at end of year	<u>\$ 5,945,963</u>	<u>\$ 5,933,649</u>

**Governmental Activities**

Net assets of the ESC's governmental activities increased \$12,314. Total governmental expenses of \$21,379,302 were offset by program revenues of \$19,134,455 and general revenues of \$2,257,161. Program revenues supported 89.50% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services and sales, and operating grants and contributions. These revenue sources represent 89.45% of total governmental revenue.

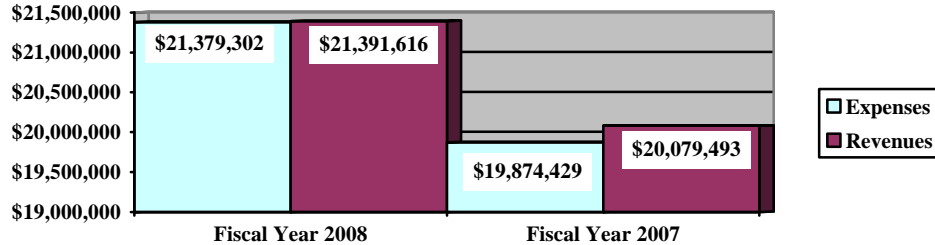
The largest expense of the ESC is for instructional programs. Instruction expenses totaled \$6,595,093 or 30.85% of total governmental expenses for fiscal 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2008 and 2007.

**Governmental Activities - Revenues and Expenses**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,027,161	\$ 858,510	\$ 648,377	\$ 279,317
Special	5,484,655	73,559	5,143,710	650,911
Vocational	82,485	82,485	87,033	87,033
Adult continuing	792	792	8,781	2,525
Support services:				
Pupil	4,366,229	34,639	3,996,496	179,526
Instructional staff	4,633,022	71,939	5,280,060	197,843
Board of education	95,375	95,375	89,041	89,041
Administration	867,870	74,077	638,819	26,184
Fiscal	1,183,095	(32,703)	1,113,379	28,389
Business	332,023	332,023	310,332	310,332
Operations and maintenance	401,781	308,904	300,991	208,333
Pupil transportation	7,314	(446)	6,554	(64)
Central	2,880,350	328,543	2,248,955	368,126
Operations of non-instructional services	<u>17,150</u>	<u>17,150</u>	<u>1,901</u>	<u>1,901</u>
<b>Total expenses</b>	<u>\$ 21,379,302</u>	<u>\$ 2,244,847</u>	<u>\$ 19,874,429</u>	<u>\$ 2,429,397</u>

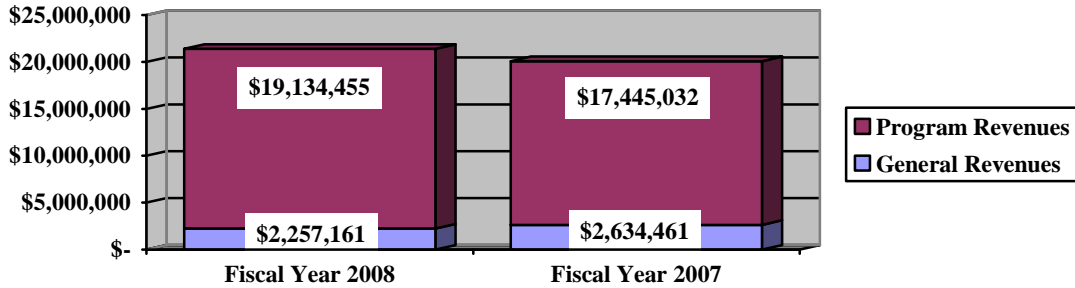
The dependence upon other general revenues for governmental activities is apparent, 15.40% of instruction activities are supported through other general revenues. For all governmental activities, general revenue support is 10.50%. The ESC's charges for services and sales, as a whole, are by far the primary support for ESC's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

The graph below presents the ESC's governmental activities revenue for fiscal years 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The ESC's Funds**

The ESC's governmental funds reported a combined fund balance of \$4,296,155, which is higher than last year's total of \$4,109,804. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,600,995	\$ 2,596,465	\$ 4,530	0.17 %
Early Learning Initiative	619,529	366,691	252,838	68.95 %
Other Governmental	<u>1,075,631</u>	<u>1,146,648</u>	<u>(71,017)</u>	(6.19) %
Total	<u>\$ 4,296,155</u>	<u>\$ 4,109,804</u>	<u>\$ 186,351</u>	4.53 %

**General Fund**

The ESC's general fund balance increased by \$4,530. The increase in fund balance can be attributed to several items related to increasing revenues outpacing increased expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund. Tuition and customer services revenues in the general fund have been restated for fiscal year 2007 to be consistent with revenue reclassifications made to these revenues in fiscal year 2008.

	2008 <u>Amount</u>	(Restated) 2007 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b>Revenues</b>				
Customer services	\$ 3,340,697	\$ 3,769,014	\$ (428,317)	(11.36) %
Tuition	8,714,362	7,342,424	1,371,938	18.69 %
Earnings on investments	166,181	368,316	(202,135)	(54.88) %
Intergovernmental	2,143,747	2,210,368	(66,621)	(3.01) %
Other revenues	<u>108,886</u>	<u>57,747</u>	<u>51,139</u>	89 %
Total	<u>\$ 14,473,873</u>	<u>\$ 13,747,869</u>	<u>\$ 726,004</u>	3.96 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,102,963	\$ 5,407,052	\$ 695,911	12.87 %
Support services	8,332,214	7,965,354	366,860	4.61 %
Non-instructional services	<u>14,166</u>	<u>-</u>	<u>14,166</u>	100.00 %
Total	<u>\$ 14,449,343</u>	<u>\$ 13,372,406</u>	<u>\$ 1,076,937</u>	8.05 %

General fund revenues increased 3.96% overall from fiscal year 2007. Customer services decreased 11.36% due to the districts hiring staff that they contracted through the ESC in previous years. Tuition increased by 18.69% due to additional service requests from districts. Earnings on investments decreased due to a decrease in accrued interest receivable. The ESC received less in state foundation revenues during fiscal year 2008, which resulted in a decrease in intergovernmental revenue.

Expenditures increased overall and in the areas of instruction and support services by approximately 7.95% due to increases in salaries and wages, and the costs associated with the additional services provided by the ESC to districts during 2008.

***Early Learning Initiative Fund***

The early learning initiative fund had \$5,021,143 in revenues and \$4,768,305 in expenditures. During fiscal year 2008, the early learning initiative fund's fund balance increased \$252,838 to \$619,529.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the ESC had \$563,802 invested in furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Furniture and equipment	\$ 548,495	\$ 508,720
Vehicles	<u>15,307</u>	<u>18,709</u>
Total	<u>\$ 563,802</u>	<u>\$ 527,429</u>

The overall increase in capital assets of \$36,373 is due to capital outlays of \$154,784 exceeding depreciation expense of \$118,411 in the fiscal year.

See Note 7 to the basic financial statements for additional information on the ESC's capital assets.

***Debt Administration***

The ESC had no debt outstanding at June 30, 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

**Current Financial Related Activities**

The ESC relies heavily on contracts with local, city, parochial and community schools in Mahoning County, state foundation revenue, grants and the fiscal agency role we provide to several entities. Contracts with participating districts are to increase in fiscal year 2009 due to additional service requests from districts. The ESC will be expanding their fiscal, administrative and other services through the recent community school sponsorship approval from the Ohio Department of Education. The new contracts with our locals, the sponsorship capability and providing the fiscal and administrative role to several entities, the ESC will be able to provide the necessary funds to meet operating expenses in the future. There are some challenges that we face that can affect our funding.

A challenge we face is the State's financial situation. The State has reduced dollars to the ESC's state foundation, major programs and grants. These funds offer support to our programs that are offered to the districts the ESC serves. Without these funds local districts are forced pay more of the services they contract for. The ESC is very sensitive to the cost of our programs to Mahoning County districts. Because of the funding reductions made from the State, our districts may be forced to contract for services from other entities who offer a better price.

**Contacting the ESC's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Cynthia Lengyel, Treasurer, Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512-7019.



**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 5,210,503	\$ 801,131
Receivables:		
Accounts . . . . .	50	-
Intergovernmental . . . . .	2,187,947	20,968
Accrued interest . . . . .	41,863	-
Loans. . . . .	50,000	-
Materials and supplies inventory . . . . .	13,230	-
Capital assets:		
Depreciable capital assets, net . . . . .	563,802	256,866
Capital assets, net. . . . .	563,802	256,866
 Total assets. . . . .	 8,067,395	 1,078,965
<b>Liabilities:</b>		
Accounts payable. . . . .	141,780	4,068
Accrued wages and benefits . . . . .	1,184,428	-
Pension obligation payable. . . . .	240,905	6,013
Intergovernmental payable . . . . .	116,293	26,475
Long-term liabilities:		
Due within one year. . . . .	112,041	-
Due in more than one year . . . . .	325,985	-
 Total liabilities . . . . .	 2,121,432	 36,556
<b>Net assets:</b>		
Invested in capital assets . . . . .	563,802	256,866
Restricted for:		
Capital projects . . . . .	40,268	-
Locally funded programs . . . . .	982,544	-
State funded programs . . . . .	489,125	-
Federally funded programs . . . . .	74,030	17,651
Other purposes . . . . .	31,500	-
Unrestricted. . . . .	3,764,694	767,892
 Total net assets . . . . .	 \$ 5,945,963	 \$ 1,042,409

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
JUNE 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit</u>
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 1,027,161	\$ 9,126	\$ 159,525	\$ -	\$ (858,510)	\$ -
Special . . . . .	5,484,655	4,853,782	557,314	-	(73,559)	-
Vocational . . . . .	82,485	-	-	-	(82,485)	-
Adult continuing. . . . .	792	-	-	-	(792)	-
Support services:						
Pupil. . . . .	4,366,229	3,592,890	738,700	-	(34,639)	-
Instructional staff . . . . .	4,633,022	2,383,774	2,165,076	12,233	(71,939)	-
Board of education . . . . .	95,375	-	-	-	(95,375)	-
Administration. . . . .	867,870	564,399	229,394	-	(74,077)	-
Fiscal. . . . .	1,183,095	467,001	748,797	-	32,703	-
Business. . . . .	332,023	-	-	-	(332,023)	-
Operations and maintenance . . . . .	401,781	-	92,877	-	(308,904)	-
Pupil transportation. . . . .	7,314	-	7,760	-	446	-
Central . . . . .	2,880,350	9	2,551,798	-	(328,543)	-
Other non-instructional services . . . . .	17,150	-	-	-	(17,150)	-
Total governmental activities . . . . .	<u>\$ 21,379,302</u>	<u>\$ 11,870,981</u>	<u>\$ 7,251,241</u>	<u>\$ 12,233</u>	<u>(2,244,847)</u>	<u>-</u>
<b>Component Unit:</b>						
The Unlimited Classroom . . . . .	<u>\$ 1,945,289</u>	<u>\$ 6,375</u>	<u>\$ 115,251</u>	<u>\$ -</u>	<u>-</u>	<u>(1,823,663)</u>
Grants and entitlements not restricted to specific programs . . . . .					1,928,862	1,778,152
Investment earnings . . . . .					187,213	21,357
Miscellaneous . . . . .					141,086	-
Total general revenues. . . . .					<u>2,257,161</u>	<u>1,799,509</u>
Change in net assets . . . . .					12,314	(24,154)
<b>Net assets at beginning of year . . . . .</b>					<u>5,933,649</u>	<u>1,066,563</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 5,945,963</u>	<u>\$ 1,042,409</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Early Learning Initiative</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,715,650	\$ 354,679	\$ 1,140,174	\$ 5,210,503
Receivables:				
Accounts . . . . .	-	-	50	50
Intergovernmental . . . . .	1,734,779	375,975	77,193	2,187,947
Accrued interest . . . . .	41,863	-	-	41,863
Interfund receivable . . . . .	7,282	-	-	7,282
Loans. . . . .	50,000	-	-	50,000
Materials and supplies inventory . . . . .	13,230	-	-	13,230
Total assets . . . . .	<u>\$ 5,562,804</u>	<u>\$ 730,654</u>	<u>\$ 1,217,417</u>	<u>\$ 7,510,875</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 57,389	\$ 34,919	\$ 49,472	\$ 141,780
Accrued wages and benefits . . . . .	1,093,684	46,538	44,205	1,184,427
Pension obligation payable. . . . .	194,764	26,757	19,385	240,906
Intergovernmental payable. . . . .	110,419	2,911	2,963	116,293
Interfund payable. . . . .	-	-	7,282	7,282
Deferred revenue. . . . .	1,505,553	-	18,479	1,524,032
Total liabilities . . . . .	<u>2,961,809</u>	<u>111,125</u>	<u>141,786</u>	<u>3,214,720</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	287,501	381,215	282,091	950,807
Reserved for materials and supplies inventory. . . . .	13,230	-	-	13,230
Unreserved, undesignated, reported in:				
General fund . . . . .	2,300,264	-	-	2,300,264
Special revenue funds. . . . .	-	238,314	754,671	992,985
Capital projects funds. . . . .	-	-	38,869	38,869
Total fund balances . . . . .	<u>2,600,995</u>	<u>619,529</u>	<u>1,075,631</u>	<u>4,296,155</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,562,804</u>	<u>\$ 730,654</u>	<u>\$ 1,217,417</u>	<u>\$ 7,510,875</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$ 4,296,155
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		563,802
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Customer services receivable	\$ 1,476,396	
Earnings on investments receivable	29,157	
Intergovernmental revenue receivable	18,479	
Total	<u>1,524,032</u>	1,524,032
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<u>(438,026)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 5,945,963</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Early Learning Initiative</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Tuition . . . . .	\$ 8,714,362	\$ -	\$ 23,798	\$ 8,738,160
Earnings on investments . . . . .	166,181	-	-	166,181
Customer services . . . . .	3,340,697	-	-	3,340,697
Other local revenues . . . . .	108,886	4,958,773	80,226	5,147,885
Grants in aid from intermediate sources . . .	-	-	134,206	134,206
Intergovernmental - State . . . . .	1,927,695	-	1,485,516	3,413,211
Intergovernmental - Federal . . . . .	216,052	62,370	360,497	638,919
Total revenue . . . . .	<u>14,473,873</u>	<u>5,021,143</u>	<u>2,084,243</u>	<u>21,579,259</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	917,817	-	101,790	1,019,607
Special . . . . .	5,103,021	352,161	26,823	5,482,005
Vocational . . . . .	82,125	-	-	82,125
Support services:				
Pupil . . . . .	3,629,214	611,037	113,510	4,353,761
Instructional staff . . . . .	2,387,342	595,488	1,708,412	4,691,242
Board of education . . . . .	95,375	-	-	95,375
Administration . . . . .	617,542	26,969	195,084	839,595
Fiscal . . . . .	471,676	686,531	23,545	1,181,752
Business . . . . .	336,047	-	-	336,047
Operations and maintenance . . . . .	324,318	87,539	-	411,857
Pupil transportation . . . . .	-	7,314	-	7,314
Central . . . . .	470,700	2,401,266	6,096	2,878,062
Other non-instructional services . . . . .	14,166	-	-	14,166
Total expenditures . . . . .	<u>14,449,343</u>	<u>4,768,305</u>	<u>2,175,260</u>	<u>21,392,908</u>
Excess of revenues over (under) expenditures . .	<u>24,530</u>	<u>252,838</u>	<u>(91,017)</u>	<u>186,351</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	20,000	20,000
Transfers (out) . . . . .	(20,000)	-	-	(20,000)
Total other financing sources (uses) . . . . .	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Net change in fund balances . . . . .	4,530	252,838	(71,017)	186,351
<b>Fund balances at beginning of year . . . . .</b>	<u>2,596,465</u>	<u>366,691</u>	<u>1,146,648</u>	<u>4,109,804</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,600,995</u>	<u>\$ 619,529</u>	<u>\$ 1,075,631</u>	<u>\$ 4,296,155</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**Net change in fund balances - total governmental funds** \$ 186,351

*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current period.

Capital asset additions	\$	154,784	
Current year depreciation		(118,411)	
Total			36,373

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Customer services		(212,170)	
Earnings on investments		21,032	
Intergovernmental revenue		3,495	
Total			(187,643)

Some expenses reported in the statement of activities, including compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(22,767)

**Change in net assets of governmental activities** \$ 12,314

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	1,351,566
Receivables:		
Intergovernmental . . . . .		<u>270,496</u>
Total assets. . . . .	\$	<u><u>1,622,062</u></u>
<b>Liabilities:</b>		
Accounts payable. . . . .	\$	59,306
Accrued wages and benefits . . . . .		43,186
Loans . . . . .		50,000
Intergovernmental payable . . . . .		284,731
Pension obligation payable . . . . .		16,365
Undistributed monies . . . . .		<u>1,168,474</u>
Total liabilities . . . . .	\$	<u><u>1,622,062</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - DESCRIPTION OF THE ESC**

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 students with disabilities, 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 156 certified and 80 non-certified personnel. Staff members support the educational efforts of 11 local school districts, 2 city school districts and their 22,966 students. In addition, staff members also support the Mahoning County Unlimited Classroom and its 312 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the ESC have been prepared in conformity with accounting principles generally accepted in the United States of America (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 ESC also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The ESC's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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 includes general operations and student related activities of the ESC.

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; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of this criterion, the ESC has one component unit.

The ESC is fiscal agent for the Mahoning County Family and Children First Council (the "Council"). The ESC is responsible for receiving and disbursing funds at the direction of the Council. This entity is legally separate from the ESC. The ESC is fiscal agent and custodian for the Council, but is not accountable; therefore, the operations of the Council have been included as an agency fund in the ESC's basic financial statements. The funds invested on behalf of the Council have been included in the basic financial statements as "equity in pooled cash and cash equivalents".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*COMPONENT UNIT*

Mahoning Unlimited Classroom ("MUC")

The MUC is a legally separate, conversion community school, served by a Board of Directors. The MUC focuses on providing students with curriculum and instruction via distance learning technology. The seven person Board of Directors, appointed by the ESC, consists of three persons employed in administrator positions with the ESC, one person employed in an administrator position with the Mahoning County Career and Technical Center ("MCCT"), one person who is neither an officer nor employee of the ESC or MCCT who shall be a public educator or other public office, one person who is appointed to represent the interests of the parents and students of the MUC, and the MUC's Treasurer. The MUC Treasurer is a non-voting ex-officio of the Board of Directors. The ESC sponsored the MUC during fiscal year 2008 under Ohio Revised Code Section 3314. Based on the significant services provided by the ESC to the MUC, the MUC's purpose of service to the students within the district, and the relationship between the Governing Board of the ESC and the Board of Directors of the MUC, the MUC is a component unit of the ESC. Separately issued financial statements can be obtained from the ESC's Treasurer.

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (ACCESS)

ACCESS is a jointly governed organization among 23 school districts, 1 community school, 1 special education resource center, 2 county educational service centers and 2 career and technical centers. 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 2 treasurers and 6 superintendents from participating school districts. The ACCESS treasurer is an ex-officio member of the Board of Directors. The degree of control exercised by any participating school district is limited to its representation on the Board. The ESC 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. The consortium revenues are generated from charges for services, State funding and E-rateable services.

Region 12 Professional Development Center (RPDC)

The RPDC is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties and Youngstown City. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement and in particular, to improvements in instructional programs.

The RPDC is governed by a Governing Board made up of 19 representatives of the participating school districts, the business community and Youngstown State University. Members' terms rotate annually. The degree of control exercised by any participating school district is limited to its representation of the Governing Board. The ESC serves as fiscal agent for RPDC. Financial activity for fiscal year 2008 is reported in the financial statements as an agency fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*RELATED ORGANIZATION*

Mahoning County Career and Technical Center

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 5 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 2 other members. The Governing Board of the ESC cannot directly impose their will on the Mahoning County Career and Technical Center.

*PUBLIC ENTITY RISK POOLS*

Ohio Association of School Business Officials

The District participates in a group rating plan (GRP) for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

Mahoning County Insurance Consortium

The Mahoning County Insurance Consortium is a shared risk pool comprised of 11 Mahoning County school districts. The consortium is governed by an assembly, which consists of 1 representative from each participating school district (usually the superintendent or designee). The assembly elects officers for 1 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.

**B. Fund Accounting**

The ESC uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the ESC's major governmental funds:

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

Early learning initiative - The early learning initiative fund is used to account for the distribution of monies to Early Initiative Partners (ELI) and to operate the ESC's ELI program.

The other governmental funds of the ESC account for grants and other resources whose use is restricted to a particular purpose.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the ESC's ongoing activities which are similar to those often found in the private sector. The ESC has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The ESC's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The ESC's agency funds account for various resources held for other organizations.

**C. Basis of Presentation and Measurement Focus**

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the ESC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the ESC. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the ESC.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the ESC are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the ESC. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the ESC, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the ESC receives value without directly giving equal value in return, include grants, entitlements and donations.

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the ESC must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the ESC on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: tuition, grants and contract services.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Revenues received in advance of the fiscal year for which they are intended to finance have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgetary Process**

In fiscal year 2004, the ESC requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the ESC was discretionary, the ESC continued to have its Board approve appropriations and estimated resources. The ESC's Board adopts an annual appropriation resolution, which is the Board's, authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. Budgetary information for the general fund and early learning initiative fund has been presented as supplementary information to the basic financial statements.

**F. State Funding**

The ESC is funded by the State Board of Education from State funds for the cost of Part (A) of the budget.

Part (B) of the budget is funded in the following way: \$6.50 times the Average Daily Membership (ADM-the total number of pupils under the ESC's supervision) is apportioned by the State Board of Education from the participating school districts to which the ESC provides services from payments made under the State's foundation program. Simultaneously, \$37.00 times the sum of the ADM is paid by the State Board of Education from State funds to the ESC.

If additional funding is required and if a majority of the Boards of Education of the participating school districts approve, the cost of Part (B) of the budget that is in excess of \$43.50 times ADM approved by the State Board of Education is apportioned to the participating school districts through reductions in their State foundation. The State Board of Education initiates and supervises the procedure by which the participating Boards approve or disapprove the apportionment.

**G. Cash and Investments**

To improve cash management, cash received by the ESC is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to federal agency securities, money market mutual fund and State Treasury Asset Reserve (STAR Ohio).

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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 shares price, which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$166,181, which includes \$63,458 assigned from other ESC funds.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the ESC are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the ESC's investment account at year-end is provided in Note 4.

**H. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption.

**I. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC maintains a capitalization threshold of \$1,000. The ESC does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Furniture and equipment	5 - 11 years
Vehicles	11 years

**J. Compensated Absences**

GASB Statement No. 16, "Accounting for Compensated Absences", specifies the method used to accrue liabilities for leave benefits. 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 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that is probable that benefits will result in termination payments. The liability is an estimate based on the ESC's past experience of making termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee's retirement/resignation has been incurred by fiscal year-end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid.

**K. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental type activities columns of the statement of net assets.

Receivables and payables resulting from loans from governmental funds to the agency funds are classified as "loans receivable/payable".

**L. 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 pass-through expenditures in a nonmajor governmental 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.

**M. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

**N. Fund Balance Reserves**

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



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets and net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The ESC applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**P. Estimates**

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

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basis financial statements. Interfund activities between governmental funds are eliminated in the statement of activities.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the ESC has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the ESC; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the ESC.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the ESC.

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 8,535
Alternative education challenge	5,378
Handicapped preschool	2,254
Telecommunity fund	7

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the ESC 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 ESC treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current five 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.

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;

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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 classifications by at least two nationally recognized rating agencies.

Protection of the ESC'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.

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 of transfer from the custodian.

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all ESC deposits was \$64,056. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,287,603 of the ESC's bank balance of \$1,487,603 was exposed to custodial risk as discussed below, while \$200,000 was covered by the Federal Deposit Insurance Corporation.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the ESC's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ESC. The ESC has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the ESC to a successful claim by the FDIC.

**B. Investments**

As of June 30, 2008, the ESC had the following investments and maturities:

Investment type	Fair Value	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
FHLMC	\$ 449,934	\$ -	\$ 300,036	\$ -	\$ -	\$ 149,898
FFCB	151,230	-	-	151,230	-	-
FHLB	2,447,026	-	-	251,953	-	2,195,073
FNMA	423,982	-	-	-	-	423,982
U.S. Government money market mutual fund	125,454	125,454	-	-	-	-
STAR Ohio	2,900,387	2,900,387	-	-	-	-
Total	<u>\$ 6,498,013</u>	<u>\$ 3,025,841</u>	<u>\$ 300,036</u>	<u>\$ 403,183</u>	<u>\$ -</u>	<u>\$ 2,768,953</u>

The weighted average maturity of investments is 1.58 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the ESC's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The ESC's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the ESC's name. The ESC has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The ESC places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLMC	\$ 449,934	6.92%
FFCB	151,230	2.33%
FHLB	2,447,026	37.66%
FNMA	423,982	6.53%
U.S. Government money market mutual fund	125,454	1.93%
STAR Ohio	<u>2,900,387</u>	<u>44.63%</u>
Total	<u>\$ 6,498,013</u>	<u>100.00%</u>

**C. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 64,056
Investments	<u>6,498,013</u>
Total	<u>\$ 6,562,069</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,210,503
Agency funds	<u>1,351,566</u>
Total	<u>\$ 6,562,069</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Other governmental funds	\$ 7,282

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Interfund transfers for the year ended June 30, 2008 consisted of the following as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 20,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated in the statement of activities.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- C.** Loans between governmental funds and the agency fund are reported as “loans receivable/payable” on the financial statements. The District had the following loan outstanding at fiscal year end:

<u>Loan from</u>	<u>Loan to</u>	<u>Amount</u>
General	Agency	\$ 50,000

This loan is expected to be repaid in the subsequent year as resources become available in the agency funds.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008 consisted of accounts, intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full. A summary of the items of receivables reported on the statement of net assets follows:

<b>Governmental activities</b>	
Accounts	\$ 50
Intergovernmental	2,187,947
Accrued interest	<u>41,863</u>
Total	<u>\$ 2,229,860</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 1,287,981	\$ 154,784	\$ -	\$ 1,442,765
Vehicles	<u>67,140</u>	<u>-</u>	<u>-</u>	<u>67,140</u>
Total capital assets, being depreciated	<u>1,355,121</u>	<u>154,784</u>	<u>-</u>	<u>1,509,905</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(779,261)	(115,009)	-	(894,270)
Vehicles	<u>(48,431)</u>	<u>(3,402)</u>	<u>-</u>	<u>(51,833)</u>
Total accumulated depreciation	<u>(827,692)</u>	<u>(118,411)</u>	<u>-</u>	<u>(946,103)</u>
Governmental activities capital assets, net	<u>\$ 527,429</u>	<u>\$ 36,373</u>	<u>\$ -</u>	<u>\$ 563,802</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 11,111
Special	23,939
Adult continuing	792

Support services:

Pupil	18,921
Instructional staff	35,895
Administration	14,957
Fiscal	3,372
Business	1,973
Operations and maintenance	4,359
Central	108
Operations of non-instructional services	<u>2,984</u>

Total depreciation expense \$ 118,411

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**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During fiscal year 2002, the Area Cooperative Computerized Educational Service System (ACCESS), accounted for in the Computer Network agency fund, entered into a \$7,200,000 capital lease to increase the band width capacity of its computer network by acquiring and equipping a fiber optic network. The lease has an annual interest rate of 1%. In April of 2007, ACCESS entered into a lease purchase agreement to purchase additional equipment consisting of hardware and other related equipment, for \$1,456,000 at approximately 4.42% annual interest. This lease meets the criteria of a capital lease by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. The fiscal year 2008 principal and interest payments, which totaled \$876,540, were paid out of the Computer Network agency fund.

**NOTE 9 - LONG-TERM OBLIGATIONS**

During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
Compensated absences	\$ 415,259	\$ 127,492	\$ (104,725)	\$ 438,026	\$ 112,041
Total	<u>\$ 415,259</u>	<u>\$ 127,492</u>	<u>\$ (104,725)</u>	<u>\$ 438,026</u>	<u>\$ 112,041</u>

Compensated absences will be paid from the fund from which the employee's salaries are paid which is primarily the general fund.

**NOTE 10 - 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 10 to 20 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 260 days. Upon retirement, payment is made for one-fourth of the total sick leave accumulation, up to a maximum of 52 days.

**B. 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.

**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 2008, the ESC contracted with the School Insurance Consultants for property and general liability insurance.



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**NOTE 11 - RISK MANAGEMENT - (Continued)**

Professional liability is provided by the Indiana Insurance Company with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible. Vehicles are covered by the Indiana Insurance Company and hold a \$50 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 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 2008, the ESC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). 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, prescription drug and life benefits. Monthly premiums are as follows:

	<u>Single Coverage</u>		<u>Family Coverage</u>	
	<u>Employee</u>	<u>Board</u>	<u>Employee</u>	<u>Board</u>
	<u>Share</u>	<u>Share</u>	<u>Share</u>	<u>Share</u>
<u>Medical Mutual</u>				
Dental	\$ 6.56	\$ 59.09	\$ 6.56	\$ 60.15
Medical	26.16	235.47	128.30	613.15
Prescription	33.21	77.50	111.09	125.53
<u>HMP</u>				
Medical/Prescription	280.81	312.97	-	-
Medical/Prescription	Employee and Children		298.41	648.98
Medical/Prescription	Employee and Spouse		568.14	648.98
Medical/Prescription	Employee, Spouse and Children		921.72	648.98
Life Insurance - \$25,000	-	4.25	1.60	4.25
\$2,500 for Children, \$5,000 for Spouse				

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - 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 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14 percent of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$282,672, \$307,876, and \$476,684, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The ESC participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 12 - PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The ESC was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The ESC's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,153,727, \$1,064,485, and \$1,084,270, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$39,861 made by the ESC and \$61,352 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The ESC participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The ESC's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$233,015, \$176,388 and \$249,364, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$20,367, \$20,936 and \$37,940, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The ESC contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The ESC's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$88,748, \$81,883 and \$83,405, respectively; 100 percent has been contributed for fiscal years 2008, 2007 and 2006.

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The ESC receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

**B. Litigation**

The ESC is not currently party to any legal proceedings.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 15 - MAHONING UNLIMITED CLASSROOM COMMUNITY SCHOOL**

Mahoning Unlimited Classroom Community School (the "School") has been determined to be a discretely presented component unit. The ESC's management has determined that it is significant; therefore it has been included as part of the ESC's basic financial statements. The School issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. The report may be obtained by writing to Mahoning County Educational Service Center, 100 DeBartolo Place, Suite 220, Youngstown, Ohio 44512-7019.

**A. Significant Accounting Policies**

**Accounting Basis** - The basic financial statements (BFS) of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The School does not apply FASB Statements and Interpretations issued after November 30, 1989. The School's significant accounting policies are described below.

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

Operating revenues are those revenues that are generated directly from the primary activity of the School. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating.

**Measurement Focus and Basis of Accounting** - Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**Budgetary Process** - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School.

**Cash** - Cash received by the School is maintained in a demand deposit account.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - MAHONING UNLIMITED CLASSROOM COMMUNITY SCHOOL - (Continued)**

**Capital Assets and Depreciation** - Capital assets are capitalized at cost or estimated historical cost and updated for additions and deletions during the year. The School maintains a capitalization threshold of \$1,000. The School does not have 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.

All capital assets are depreciated. Depreciation is computed using the straight-line method. Equipment is depreciated over ten years.

**Net Assets** - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Intergovernmental Revenues** - The School currently participates in the State Foundation Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. Other grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate enrollment data to the State, upon which State Foundation funding is calculated.

**Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Tax Exemption Status** - The School is a non-profit organization that, in the opinion of legal counsel, is exempt from federal income taxes due to the School qualifying as an integral part of the ESC and the Mahoning County Career and Technical Center.

**B. Deposits and Investments**

At June 30, 2008, the carrying amount of all School deposits was \$801,131. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$100,000 of the School's bank balance of \$817,132 was covered by the Federal Deposit Insurance Corporation, while \$717,132 was exposed to custodial risk as discussed below.

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - MAHONING UNLIMITED COMMUNITY SCHOOL - (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2008</u>
Furniture and equipment	\$ 327,513	\$ 11,900	\$ -	\$ 339,413
Less: accumulated depreciation	<u>(49,201)</u>	<u>(33,346)</u>	<u>-</u>	<u>(82,547)</u>
Capital assets, net	<u>\$ 278,312</u>	<u>\$ (21,446)</u>	<u>\$ -</u>	<u>\$ 256,866</u>

**D. Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2008, professional liability is provided through Mahoning County Educational Service Center's Indiana Insurance Plan with a \$3,000,000 annual aggregate/\$1,000,000 single occurrence limit and no deductible.

**E. Purchased Services**

For fiscal year ended June 30, 2008, purchased service expenses were as follows:

Professional and technical services	\$ 1,468,534
Property services	44,067
Travel expenses	11,362
Communications	<u>38,875</u>
Total	<u>\$ 1,562,838</u>

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MAHONING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - MAHONING UNLIMITED COMMUNITY SCHOOL - (Continued)**

**F. Service Agreements**

*Area Cooperative Computerized Educational Service System (ACCESS)* - The School entered into a one-year agreement commencing on July 1, 2007 and ending June 30, 2008, with ACCESS for internet access, electronic mail, Ohio Uniform School Accounting System (USAS), the Uniform Staff Payroll System (USPS), Educational Management Information System (EMIS), Student Information System (SIS/POISE) to include student grade reporting, attendance and scheduling and INFOhio Automated library services. Separate and apart from this agreement, the School agrees to obtain at its own expense, the additional computer and electronic equipment necessary for receipt of these services at the School's facilities. The School paid ACCESS \$593.98 per month for services during fiscal year 2008.

*Mahoning County ESC* - The School had a service contract with the ESC. This contract outlined the services that would be provided to the School. The School made payments totaling \$391,048 during fiscal year 2008 to the ESC.

**G. Contingencies**

*Grants* - The School received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2008.



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SUPPLEMENTARY INFORMATION

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Tuition . . . . .	\$ 8,131,775	\$ 8,733,472	\$ 8,831,159	\$ 97,687
Earnings on investments . . . . .	201,246	216,136	218,554	2,418
Customer services. . . . .	3,011,354	3,234,175	3,270,350	36,175
Other local revenues . . . . .	804,198	863,703	141,673	(722,030)
Intergovernmental - State. . . . .	1,775,031	1,906,372	1,927,695	21,323
Intergovernmental - Federal . . . . .	1,075	1,154	216,052	214,898
Total revenue. . . . .	<u>13,924,679</u>	<u>14,955,012</u>	<u>14,605,483</u>	<u>(349,529)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	858,038	924,522	962,387	(37,865)
Special. . . . .	4,750,968	5,119,090	5,230,141	(111,051)
Vocational. . . . .	98,258	105,872	104,716	1,156
Support services:				
Pupil. . . . .	3,435,817	3,702,036	3,661,627	40,409
Instructional staff . . . . .	2,337,867	2,519,013	2,491,517	27,496
Board of education . . . . .	95,725	103,142	102,016	1,126
Administration. . . . .	1,279,667	1,378,820	632,079	746,741
Fiscal . . . . .	452,257	487,300	481,981	5,319
Business . . . . .	324,795	349,961	346,141	3,820
Operations and maintenance. . . . .	313,826	338,142	334,451	3,691
Central. . . . .	447,552	482,230	476,966	5,264
Operation of non-instructional services . . . . .	10,162	10,950	10,830	120
Total expenditures . . . . .	<u>14,404,932</u>	<u>15,521,078</u>	<u>14,834,852</u>	<u>686,226</u>
Excess of revenues over (under) expenditures. . . . .	<u>(480,253)</u>	<u>(566,066)</u>	<u>(229,369)</u>	<u>336,697</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	24,286	26,083	26,375	292
Transfers (out) . . . . .	(18,766)	(20,221)	(20,000)	221
Advances in. . . . .	220,655	236,982	239,633	2,651
Advances (out) . . . . .	(51,297)	(55,271)	(54,668)	603
Total other financing sources (uses) . . . . .	<u>174,878</u>	<u>187,573</u>	<u>191,340</u>	<u>3,767</u>
Net change in fund balance . . . . .	(305,375)	(378,493)	(38,029)	340,464
<b>Fund balance at beginning of year . . . . .</b>	3,231,989	3,231,989	3,231,989	-
<b>Prior year encumbrances appropriated . . . . .</b>	232,769	232,769	232,769	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,159,383</u>	<u>\$ 3,086,265</u>	<u>\$ 3,426,729</u>	<u>\$ 340,464</u>

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
EARLY LEARNING INITIATIVE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Other local revenues . . . . .	\$ 4,736,165	\$ 5,435,833	\$ 5,018,962	\$ (416,871)
Intergovernmental - Federal . . . . .	-	-	62,370	62,370
Total revenue . . . . .	<u>4,736,165</u>	<u>5,435,833</u>	<u>5,081,332</u>	<u>(354,501)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	374,223	428,453	398,398	30,055
Support services:				
Pupil. . . . .	587,775	672,952	625,746	47,206
Instructional staff . . . . .	558,131	639,011	594,186	44,825
Administration. . . . .	26,010	29,779	27,690	2,089
Fiscal . . . . .	644,872	738,323	686,531	51,792
Operations and maintenance. . . . .	106,094	121,469	112,948	8,521
Pupil transportation . . . . .	10,860	12,434	11,562	872
Central. . . . .	2,520,200	2,885,412	2,745,376	140,036
Total expenditures . . . . .	<u>4,828,165</u>	<u>5,527,833</u>	<u>5,202,437</u>	<u>325,396</u>
Net change in fund balance . . . . .	(92,000)	(92,000)	(121,105)	(29,105)
<b>Fund balance (deficit) at beginning of year.</b>	(159,715)	(159,715)	(159,715)	-
<b>Prior year encumbrances appropriated . .</b>	251,715	251,715	251,715	-
<b>Fund deficit (deficit) at end of year. . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,105)</u>	<u>\$ (29,105)</u>

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

**BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 1 - BUDGETARY PROCESS**

The ESC is not required under State statute to file budgetary information with the State Department of Education. However, the ESC Board does follow the budgetary process for control purposes.

The ESC's Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The ESC Governing Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary statements represent the final appropriation amounts passed by the Governing Board during the fiscal year.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

While the ESC is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) - for the general fund and early learning initiative special revenue 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 (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

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

**BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

5. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following table summarizes the adjustments to reconcile the GAAP and budgetary basis statements for the general fund and the early learning initiative special revenue fund:

	<u>General</u>	Early Learning <u>Initiative</u>
Budget basis	\$ (38,029)	\$ (121,105)
Net adjustment for revenue accruals	(131,610)	(60,189)
Net adjustment for expenditure accruals	79,323	50,348
Net adjustment for other sources/(uses)	(211,340)	-
Adjustment for encumbrances	<u>306,186</u>	<u>383,784</u>
GAAP basis	<u>\$ 4,530</u>	<u>\$ 252,838</u>

## **SUPPLEMENTARY DATA**

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(G) PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
<b>Nutrition Cluster:</b>				
(A), (B) School Breakfast Program	10.553	2008	\$ 72,717	\$ 72,717
(A), (B) National School Lunch Program	10.555	2008	142,167	142,167
<b>Total Nutrition Cluster</b>			<u>214,884</u>	<u>214,884</u>
Child and Adult Care Food Program	10.558	2008	63,014	63,014
<b>Total U.S. Department of Agriculture</b>			<u>277,898</u>	<u>277,898</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>				
Regional Technical Assistance	84.010	2007	8,304	4,407
<b>Special Education Cluster:</b>				
(C), (F) Special Education: Grants to States	84.027	2005	-	640
(C), (F) Special Education: Grants to States	84.027	2007	376,188	474,862
(C) Special Education: Grants to States	84.027	2007	11,840	60,861
(C), (F) Special Education: Grants to States	84.027	2008	919,312	917,420
<b>Total Special Education: Grants to States</b>			<u>1,307,340</u>	<u>1,453,783</u>
(C) Special Education Preschool	84.173	2007	1,000	-
(C) Special Education Preschool	84.173	2008	130,313	132,363
<b>Total Special Education Preschool</b>			<u>131,313</u>	<u>132,363</u>
<b>Total Special Education Cluster</b>			<u>1,438,653</u>	<u>1,586,146</u>
(E) Teaching American History	84.215X	N/A	43,219	43,219
<b>Total Funds for the Improvement of Education</b>			<u>43,219</u>	<u>43,219</u>
(F) Special Education - State Personnel Development	84.323	2006	-	8,547
(F) Special Education - State Personnel Development	84.323	2007	164,221	38,353
(F) Special Education - State Personnel Development	84.323	2008	93,750	80,750
(F) Special Education - State Personnel Development	84.323	2008	53,588	38,641
<b>Total Special Education - State Personnel Development</b>			<u>311,559</u>	<u>166,291</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH YOUNGSTOWN STATE UNIVERSITY:</b>				
Mathematics and Science Partnerships	84.366	N/A	21,770	26,067
<b>Total U.S. Department of Education</b>			<u>1,823,505</u>	<u>1,826,130</u>

-continued



**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(G) PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>				
Centers for Medicare & Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	N/A	1,167	1,167
<b>Total U.S. Department of Health and Human Services</b>			<u>1,167</u>	<u>1,167</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,102,570</u>	<u>\$ 2,105,195</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (C) Included as part of "Special Education Grant Cluster" in determining major programs.
- (D) This Schedule was prepared on the cash basis of accounting.
- (E) This is a direct program, not passed through the Ohio Department of Education.
- (F) The ESC serves as fiscal agent for this program which is passed through to the State Support Team Region 5, formerly NEOSERRC.
- (G) OAKS did not assign pass through numbers for fiscal year 2008.

Note 1: The Mahoning County ESC has excluded federal financial assistance reported by the Mahoning County Family and Children First Council (the "Council") in relation to the Twenty-First Century Community Learning Center grant, the Special Education - Grants for Infants and Families, and the Temporary Assistance for Needy Families grant. The ESC serves as the fiscal agent for these programs, which are passed through to the Council.

Note 2: The Mahoning County ESC has excluded federal financial assistance reported for its component unit, the Mahoning County Unlimited Classroom.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Governing Board  
Mahoning County Educational Service Center  
100 DeBartolo Pl., Suite 220  
Youngstown, Ohio 44512

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Mahoning County Educational Service Center, Mahoning County, Ohio, as of and for the fiscal year ended June 30, 2008, and have issued our report thereon dated April 5, 2009. We did not audit the financial statements of Mahoning County Unlimited Classroom which is the Center's only discretely presented component unit. Other auditors audited those financial statements. They have furnished their report thereon to us, and we based our opinion, insofar as it relates to the amounts included for the Mahoning County Unlimited Classroom on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. The financial statements of the Mahoning County Unlimited Classroom were audited by other auditors in accordance with auditing standards generally accepted in the United States of America and in accordance with *Government Auditing Standards*. Accordingly, this report does not extend to the discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahoning County Educational Service Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mahoning County Educational Service Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mahoning County Educational Service Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mahoning County Educational Service Center's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Mahoning County Educational Service Center's financial statements that is more than inconsequential will not be prevented or detected by Mahoning County Educational Service Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Mahoning County Educational Service Center's internal control.

Governing Board  
Mahoning County Educational Service Center

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahoning 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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.

April 5, 2009, except for The Unlimited Classroom Community School which is dated June 1, 2009.



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

Governing Board  
Mahoning County Educational Service Center  
100 DeBartolo Pl., Suite 220  
Youngstown, Ohio 44512

Compliance

We have audited the compliance of Mahoning 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 fiscal year ended June 30, 2008. Mahoning 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 its major federal program is the responsibility of Mahoning County Educational Service Center's management. Our responsibility is to express an opinion on Mahoning County Educational Service Center's compliance based on our audit.

The Twenty-First Century Community Learning Center grant, Special Education Grant for Infants and Families, and Temporary Assistance for Needy Families grant passed through to the Mahoning County Family and Children First Council (The "Council") are subjected to audit procedures under OMB Circular A-133 and are reported on separately. The Council received \$ 1,634,251 and expended \$ 1,355,258 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for the Mahoning County Educational Service Center for the fiscal year ended June 30, 2008.

Mahoning County Educational Service Center's basic financial statements include the operations of the Mahoning County Unlimited Classroom, a component unit of the Mahoning County Educational Service Center. The Mahoning County Unlimited Classroom received \$84,392 and expended \$119,748 in federal awards during fiscal year 2008 that are not included in the Schedule of Receipts and Expenditures of Federal Awards for Mahoning County Educational Service Center for the fiscal year ended June 30, 2008. Our audit of federal awards, described below, did not include the operations of the Mahoning County Unlimited Classroom. This component unit expended less than \$500,000 for the fiscal year ended June 30, 2008 and thus was not required to have an audit of their Federal Awards in accordance with OMB Circular A-133.

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

Governing Board  
Mahoning County Educational Service Center

In our opinion, Mahoning 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 fiscal year ended June 30, 2008.

Internal Control Over Compliance

The management of Mahoning 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 Mahoning County Educational Service Center's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mahoning County Educational Service Center's internal control over compliance.

A control deficiency in Mahoning County Educational Service Center's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mahoning County Educational Service Center's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Mahoning County Educational Service Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Mahoning County Educational Service Center's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Julian & Grube, Inc.

April 5, 2009, except for The Unlimited Classroom Community School which is dated June 1, 2009.

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control 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
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education Cluster: Special Education Grants to States - CFDA #84.027 and Special Education Preschool Grants - 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

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None



**Mary Taylor, CPA**  
Auditor of State

**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  
JUNE 30, 2009**