



**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONING COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**





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 Accountants' Report* of the Mahoning County Educational Service Center, Mahoning County, prepared by Canter & Associates, for the audit period July 1, 2008 through June 30, 2009. 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

April 8, 2010

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**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONING COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

Mahoning County Educational Service Center  
Mahoning County  
100 Debartolo Place, Suite 220  
Youngstown, Ohio 44512

To the Governing Board:

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 Education Service Center (the District), Mahoning County, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 the Mahoning County Educational Service Center, Mahoning County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2010 on our consideration of the District's internal control over financial reporting and 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 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 and budgetary comparison information and notes on pages 3 through 11 and 44 through 48, are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the 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.

CANTER & ASSOCIATES

A handwritten signature in blue ink that reads "Canter & Assoc" with a stylized flourish at the end.

Poland, Ohio

February 12, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities increased \$678,784 which represents a 11.42% increase from 2008. This large increase is primarily due to districts contracting with the ESC for more services.
- General revenues accounted for \$2,168,340 in revenue or 8.11% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$24,556,463 or 91.89% of total revenues of \$26,724,803.
- The ESC had \$26,046,019 in expenses related to governmental activities; \$24,556,463 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 \$2,168,340 were adequate to provide for these programs.
- The ESC's major governmental funds are the general fund, early learning initiative fund and miscellaneous federal grants fund. The general fund had \$16,378,955 in revenues and \$16,264,391 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance increased from \$2,600,995 to \$2,715,559.
- The early learning initiative fund had \$5,400,607 in revenues and \$5,634,366 in expenditures, resulting in a decrease in fund balance of \$233,759.
- The miscellaneous federal grants fund had \$691,120 in revenues and \$707,730 in expenditures, resulting in a decrease in fund balance of \$16,610.

**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, early learning initiative fund and miscellaneous federal grants 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, 2009  
(UNAUDITED)

**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 2009?" 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 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, early learning initiative fund, and miscellaneous federal grants 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, 2009  
(UNAUDITED)

***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 19-43 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 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 8,645,922	\$ 7,503,593
Capital assets	<u>507,748</u>	<u>563,802</u>
Total assets	<u>9,153,670</u>	<u>8,067,395</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,039,332	1,683,406
Long-term liabilities	<u>489,591</u>	<u>438,026</u>
Total liabilities	<u>2,528,923</u>	<u>2,121,432</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	507,748	563,802
Restricted	2,254,166	1,617,467
Unrestricted	<u>3,862,833</u>	<u>3,764,694</u>
Total net assets	<u>\$ 6,624,747</u>	<u>\$ 5,945,963</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the ESC's assets exceeded liabilities by \$6,624,747. Of this total, \$3,862,833 is unrestricted in use.

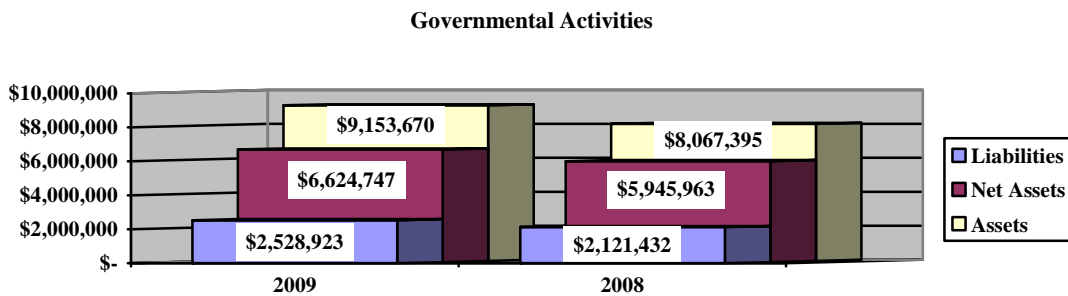
**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

At June 30, 2009 and 2008, capital assets represented 5.55% and 6.99%, respectively, of total assets. Capital assets include furniture and equipment and vehicles. Capital assets at June 30, 2009 and 2008 were \$507,748 and \$563,802, respectively. These capital assets are used to provide services to the students and are not available for future spending.

At June 30, 2009, a portion of the ESC's net assets, \$2,254,166, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets at June 30, 2009 of \$3,862,833 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, 2009 and 2008



The table below shows the change in net assets for fiscal years 2009 and 2008.

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 13,943,034	\$ 11,870,981
Operating grants and contributions	10,612,429	7,251,241
Capital grants and contributions	1,000	12,233
General revenues:		
Grants and entitlements	1,900,422	1,928,862
Investment earnings	205,397	187,213
Other	62,521	141,086
Total revenues	<u>26,724,803</u>	<u>21,391,616</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 1,801,985	\$ 1,027,161
Special	5,783,733	5,484,655
Vocational	60,110	82,485
Adult continuing	792	792
Support services:		
Pupil	5,197,846	4,366,229
Instructional staff	6,033,938	4,633,022
Board of education	64,980	95,375
Administration	1,291,108	867,870
Fiscal	1,435,091	1,183,095
Business	327,561	332,023
Operations and maintenance	506,137	401,781
Pupil transportation	17,482	7,314
Central	3,309,609	2,880,350
Operations of non-instructional services	<u>215,647</u>	<u>17,150</u>
Total expenses	<u>26,046,019</u>	<u>21,379,302</u>
Change in net assets	678,784	12,314
Net assets at beginning of year	<u>5,945,963</u>	<u>5,933,649</u>
Net assets at end of year	<u><u>\$ 6,624,747</u></u>	<u><u>\$ 5,945,963</u></u>

**Governmental Activities**

Net assets of the ESC's governmental activities increased \$678,784. Total governmental expenses of \$26,046,019 were offset by program revenues of \$24,556,463 and general revenues of \$2,168,340. Program revenues supported 94.28% 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 91.88% of total governmental revenue.

The largest expense of the ESC is for instructional programs. Instruction expenses totaled \$7,646,620 or 29.36% of total governmental expenses for fiscal year 2009.

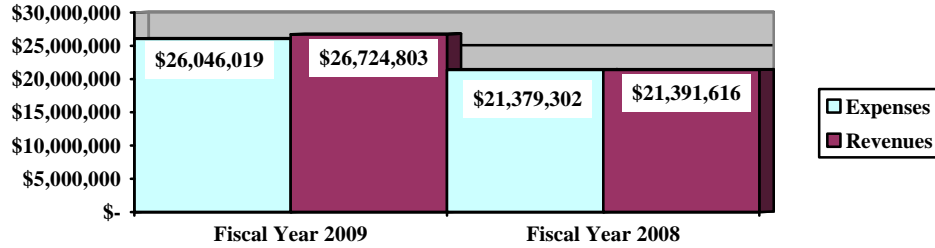
Charges for services and operating grants and contributions revenue and instruction and support services expenses increased as a result of additional service requests from member districts, additional programs offered, and increase in staff during fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**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 tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 1,801,985	\$ 1,597,916	\$ 1,027,161	\$ 858,510
Special	5,783,733	(624,405)	5,484,655	73,559
Vocational	60,110	60,110	82,485	82,485
Adult continuing	792	792	792	792
Support services:				
Pupil	5,197,846	(390,972)	4,366,229	34,639
Instructional staff	6,033,938	(344,865)	4,633,022	71,939
Board of education	64,980	42,480	95,375	95,375
Administration	1,291,108	(209,796)	867,870	74,077
Fiscal	1,435,091	(22,397)	1,183,095	(32,703)
Business	327,561	294,843	332,023	332,023
Operations and maintenance	506,137	263,243	401,781	308,904
Pupil transportation	17,482	(6,120)	7,314	(446)
Central	3,309,609	672,801	2,880,350	328,543
Operations of non-instructional services	<u>215,647</u>	<u>155,926</u>	<u>17,150</u>	<u>17,150</u>
<b>Total expenses</b>	<u>\$ 26,046,019</u>	<u>\$ 1,489,556</u>	<u>\$ 21,379,302</u>	<u>\$ 2,244,847</u>

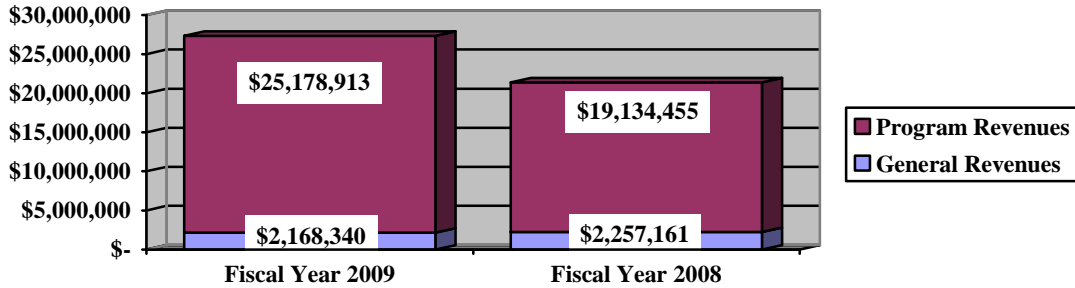
The dependence upon other general revenues for governmental activities is apparent, 13.53% of instruction activities are supported through other general revenues. For all governmental activities, general revenue support is 5.72%. The ESC's charges for services and sales and operating grants and contributions, as a whole, are 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, 2009  
(UNAUDITED)

The graph below presents the ESC's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The ESC's Funds**

The ESC's governmental funds reported a combined fund balance of \$4,432,659, which is higher than last year's total of \$4,296,155. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,715,559	\$ 2,600,995	\$ 114,564	4.40 %
Early Learning Initiative	385,770	619,529	(233,759)	(37.73) %
Miscellaneous Federal Grants	12,958	29,568	(16,610)	(56.18) %
Other Governmental	<u>1,318,372</u>	<u>1,046,063</u>	<u>272,309</u>	26.03 %
Total	<u>\$ 4,432,659</u>	<u>\$ 4,296,155</u>	<u>\$ 136,504</u>	3.18 %

**General Fund**

The ESC's general fund balance increased by \$114,564. 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.

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b>Revenues</b>				
Customer services	\$ 3,722,873	\$ 3,340,697	\$ 382,176	11.44 %
Tuition	10,159,996	8,714,362	1,445,634	16.59 %
Earnings on investments	183,273	166,181	17,092	10.29 %
Intergovernmental	2,259,902	2,143,747	116,155	5.42 %
Other revenues	<u>52,911</u>	<u>108,886</u>	<u>(55,975)</u>	(51.41) %
Total	<u>\$ 16,378,955</u>	<u>\$ 14,473,873</u>	<u>\$ 1,905,082</u>	13.16 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)

	2009 <u>Amount</u>	2008 <u>Amount</u>	<u>Increase</u>	Percentage <u>Change</u>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,892,702	\$ 6,102,963	\$ 789,739	12.94 %
Support services	9,094,490	8,332,214	762,276	9.15 %
Non-instructional services	<u>157,199</u>	<u>14,166</u>	<u>143,033</u>	1,009.69 %
Total	<u>\$ 16,144,391</u>	<u>\$ 14,449,343</u>	<u>\$ 1,695,048</u>	11.73 %

General fund revenues increased 13.16% overall from fiscal year 2008. Customer services increased 11.44% due to the districts hiring more staff that are contracted through the ESC. Tuition increased by 16.59% due to additional service requests from districts. Earnings on investments increased due to accrued interest on the ESC's investments. The ESC received more in federal grant money in fiscal year 2009, which resulted in increased intergovernmental receipts.

Expenditures increased overall 11.73% due to increases in salaries and wages, and the costs associated with the additional services provided by the ESC to districts during 2009.

***Early Learning Initiative Fund***

The early learning initiative fund had \$5,400,607 in revenues and \$5,634,366 in expenditures. During fiscal year 2009, the early learning initiative fund's fund balance decreased \$233,759 to \$385,770.

***Miscellaneous Federal Grants Fund***

The miscellaneous federal grants fund had \$691,120 in revenues and \$707,730 in expenditures. During fiscal year 2009, the miscellaneous federal grants fund's fund balance decreased \$16,610 to \$12,958.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009, the ESC had \$507,748 invested in furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 495,843	\$ 548,495
Vehicles	<u>11,905</u>	<u>15,307</u>
Total	<u>\$ 507,748</u>	<u>\$ 563,802</u>

The overall decrease in capital assets of \$56,054 is due to depreciation expense of \$132,444 exceeding capital outlays of \$76,390 in the fiscal year.

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

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

***Debt Administration***

The ESC had no debt outstanding at June 30, 2009.

**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 2010 due to additional service requests from districts. The ESC will be expanding their fiscal, administrative and other services through the community school sponsorship approval from the Ohio Department of Education. Through 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 provide 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 citizens, 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 105, Youngstown, Ohio 44512-7019.



**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 5,306,344	\$ 732,760
Receivables:		
Accounts . . . . .	430	-
Intergovernmental . . . . .	3,242,240	34,936
Accrued interest . . . . .	68,549	-
Loans. . . . .	9,114	-
Materials and supplies inventory . . . . .	19,245	-
Capital assets:		
Depreciable capital assets, net . . . . .	507,748	222,924
Capital assets, net. . . . .	507,748	222,924
 Total assets. . . . .	 9,153,670	 990,620
<b>Liabilities:</b>		
Accounts payable. . . . .	38,032	73,076
Accrued wages and benefits . . . . .	1,622,157	-
Pension obligation payable. . . . .	282,859	-
Intergovernmental payable . . . . .	96,284	13,167
Long-term liabilities:		
Due within one year. . . . .	141,515	-
Due in more than one year . . . . .	348,076	-
 Total liabilities . . . . .	 2,528,923	 86,243
<b>Net assets:</b>		
Invested in capital assets . . . . .	507,748	222,924
Restricted for:		
Capital projects . . . . .	159,967	-
Locally funded programs . . . . .	777,551	-
State funded programs . . . . .	502,449	2,000
Federally funded programs . . . . .	736,213	31,323
Other purposes . . . . .	77,986	-
Unrestricted. . . . .	3,862,833	648,130
 Total net assets . . . . .	 \$ 6,624,747	 \$ 904,377

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
JUNE 30, 2009

	<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 . . . . .	\$ 1,801,985	\$ 11,752	\$ 192,317	\$ -	\$ (1,597,916)	\$ -
Special . . . . .	5,783,733	5,448,734	959,404	-	624,405	-
Vocational . . . . .	60,110	-	-	-	(60,110)	-
Adult continuing. . . . .	792	-	-	-	(792)	-
Support services:						
Pupil. . . . .	5,197,846	4,415,604	1,173,214	-	390,972	-
Instructional staff . . . . .	6,033,938	2,648,369	3,729,434	1,000	344,865	-
Board of education . . . . .	64,980	-	22,500	-	(42,480)	-
Administration. . . . .	1,291,108	858,200	642,704	-	209,796	-
Fiscal. . . . .	1,435,091	557,153	900,335	-	22,397	-
Business. . . . .	327,561	-	32,718	-	(294,843)	-
Operations and maintenance . . . . .	506,137	-	242,894	-	(263,243)	-
Pupil transportation. . . . .	17,482	-	23,602	-	6,120	-
Central . . . . .	3,309,609	27	2,636,781	-	(672,801)	-
Other non-instructional services . . . . .	215,647	3,195	56,526	-	(155,926)	-
Total governmental activities . . . . .	<u>\$ 26,046,019</u>	<u>\$ 13,943,034</u>	<u>\$ 10,612,429</u>	<u>\$ 1,000</u>	<u>(1,489,556)</u>	<u>-</u>
<b>Component Unit:</b>						
The Unlimited Classroom . . . . .	<u>\$ 1,596,133</u>	<u>\$ 51,065</u>	<u>\$ 120,972</u>	<u>\$ -</u>	<u>-</u>	<u>(1,424,096)</u>
Grants and entitlements not restricted to specific programs . . . . .					1,900,422	1,272,725
Investment earnings . . . . .					205,397	13,339
Miscellaneous . . . . .					62,521	-
Total general revenues. . . . .					<u>2,168,340</u>	<u>1,286,064</u>
Change in net assets . . . . .					678,784	(138,032)
Net assets at beginning of year . . . . .					<u>5,945,963</u>	<u>1,042,409</u>
Net assets at end of year . . . . .					<u>\$ 6,624,747</u>	<u>\$ 904,377</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Early Learning Initiative</u>	<u>Miscellaneous Federal Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 3,693,085	\$ 298,718	\$ -	\$ 1,314,541	\$ 5,306,344
Receivables:					
Accounts . . . . .	-	-	-	430	430
Intergovernmental . . . . .	2,203,077	224,927	674,151	140,085	3,242,240
Accrued interest . . . . .	68,549	-	-	-	68,549
Interfund loans . . . . .	2,614	-	-	-	2,614
Loans . . . . .	9,114	-	-	-	9,114
Due from other funds . . . . .	13,036	-	-	-	13,036
Materials and supplies inventory . . . . .	19,245	-	-	-	19,245
Total assets . . . . .	<u>\$ 6,008,720</u>	<u>\$ 523,645</u>	<u>\$ 674,151</u>	<u>\$ 1,455,056</u>	<u>\$ 8,661,572</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 12,658	\$ 805	\$ 459	\$ 24,110	\$ 38,032
Accrued wages and benefits . . . . .	1,410,299	100,023	26,795	85,040	1,622,157
Compensated absences payable . . . . .	20,965	-	-	-	20,965
Pension obligation payable. . . . .	235,677	31,762	4,285	11,135	282,859
Intergovernmental payable. . . . .	75,369	5,285	1,845	13,785	96,284
Interfund loans payable. . . . .	-	-	-	2,614	2,614
Due to other funds. . . . .	-	-	13,036	-	13,036
Deferred revenue. . . . .	1,538,193	-	614,773	-	2,152,966
Total liabilities . . . . .	<u>3,293,161</u>	<u>137,875</u>	<u>661,193</u>	<u>136,684</u>	<u>4,228,913</u>
<b>Fund balances:</b>					
Reserved for encumbrances . . . . .	426,343	283,750	111,055	268,876	1,090,024
Reserved for materials and supplies inventory. . . . .	19,245	-	-	-	19,245
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	2,269,971	-	-	-	2,269,971
Special revenue funds. . . . .	-	102,020	(98,097)	889,620	893,543
Capital projects funds. . . . .	-	-	-	159,876	159,876
Total fund balances . . . . .	<u>2,715,559</u>	<u>385,770</u>	<u>12,958</u>	<u>1,318,372</u>	<u>4,432,659</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,008,720</u>	<u>\$ 523,645</u>	<u>\$ 674,151</u>	<u>\$ 1,455,056</u>	<u>\$ 8,661,572</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, 2009

<b>Total governmental fund balances</b>	\$	4,432,659
<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.		507,748
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Customer services receivable	\$	1,486,912
Earnings on investments receivable		51,281
Intergovernmental revenue receivable		614,773
		<hr/>
Total		2,152,966
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		<hr/> (468,626)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u><u>6,624,747</u></u></b>

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, 2009

	<b>General</b>	<b>Early Learning Initiative</b>	<b>Miscellaneous Federal Grants</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>					
From local sources:					
Tuition . . . . .	\$ 10,159,996	\$ -	\$ -	\$ 47,454	\$ 10,207,450
Earnings on investments . . . . .	183,273	-	-	-	183,273
Customer services . . . . .	3,722,873	-	-	-	3,722,873
Other local revenues . . . . .	52,911	5,400,607	-	47,905	5,501,423
Grants in aid from intermediate sources . . . . .	-	-	-	147,413	147,413
Intergovernmental - State . . . . .	1,900,422	-	-	1,617,571	3,517,993
Intergovernmental - Federal . . . . .	359,480	-	691,120	1,764,844	2,815,444
<b>Total revenue . . . . .</b>	<b>16,378,955</b>	<b>5,400,607</b>	<b>691,120</b>	<b>3,625,187</b>	<b>26,095,869</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	1,721,860	-	-	66,356	1,788,216
Special . . . . .	5,109,920	577,238	49,355	44,345	5,780,858
Vocational . . . . .	60,922	-	-	-	60,922
Support services:					
Pupil . . . . .	4,140,617	727,574	235,904	77,192	5,181,287
Instructional staff . . . . .	2,452,470	628,002	168,159	2,744,353	5,992,984
Board of education . . . . .	37,480	-	-	27,500	64,980
Administration . . . . .	804,835	53,235	210,488	205,847	1,274,405
Fiscal . . . . .	521,621	777,263	24,856	107,358	1,431,098
Business . . . . .	295,749	-	-	31,476	327,225
Operations and maintenance . . . . .	265,308	117,768	10,628	107,947	501,651
Pupil transportation . . . . .	371	8,771	8,340	-	17,482
Central . . . . .	576,039	2,744,515	-	6,123	3,326,677
Other non-instructional services . . . . .	157,199	-	-	54,381	211,580
<b>Total expenditures . . . . .</b>	<b>16,144,391</b>	<b>5,634,366</b>	<b>707,730</b>	<b>3,472,878</b>	<b>25,959,365</b>
Excess of revenues over (under) expenditures . . . . .	234,564	(233,759)	(16,610)	152,309	136,504
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	120,000	120,000
Transfers (out) . . . . .	(120,000)	-	-	-	(120,000)
<b>Total other financing sources (uses) . . . . .</b>	<b>(120,000)</b>	<b>-</b>	<b>-</b>	<b>120,000</b>	<b>-</b>
Net change in fund balances . . . . .	114,564	(233,759)	(16,610)	272,309	136,504
<b>Fund balances at beginning of year . . . . .</b>	<b>2,600,995</b>	<b>619,529</b>	<b>29,568</b>	<b>1,046,063</b>	<b>4,296,155</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 2,715,559</b>	<b>\$ 385,770</b>	<b>\$ 12,958</b>	<b>\$ 1,318,372</b>	<b>\$ 4,432,659</b>

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, 2009

**Net change in fund balances - total governmental funds** \$ 136,504

*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 depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	76,390	
Current year depreciation		(132,444)	
Total			(56,054)

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

Customer services		10,516	
Earnings on investments		22,124	
Intergovernmental revenue		596,294	
Total			628,934

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.

(30,600)

**Change in net assets of governmental activities** \$ 678,784

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, 2009

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 1,253,772
Receivables:	
Intergovernmental . . . . .	411,372
Total assets. . . . .	\$ 1,665,144
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 59,672
Accrued wages and benefits . . . . .	24,881
Loans . . . . .	9,114
Intergovernmental payable . . . . .	413,270
Pension obligation payable . . . . .	11,208
Undistributed monies . . . . .	1,146,999
Total liabilities . . . . .	\$ 1,665,144

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, 2009**

**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 12 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 200 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 and component units. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the ESC has one component unit, which is discussed below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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".

*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 2009 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 2009 is reported in the financial statements as an agency fund.

*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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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.

Miscellaneous federal grants - This fund is used to account for federal monies received which are not classified elsewhere.

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

*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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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.

**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 Nonexchange Transactions* - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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 in the governmental funds.

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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.

**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 2009, investments were limited to federal agency securities, money market mutual fund and State Treasury Asset Reserve (STAR Ohio).

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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, 2009.

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 2009 amounted to \$183,273, which includes \$79,492 assigned from other ESC funds.

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.

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

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Furniture and equipment	5 - 15 years
Vehicles	10 - 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.

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, 2009 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". On fund financial statements, receivables and payables resulting from short-term interfund loans to cover cash deficit fund balances are classified as "due to/from other funds." 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".



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**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.

**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.

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

**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 2009.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the ESC has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the ESC.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the ESC.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the ESC.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the ESC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 190
Alternative education challenge	2,560

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;
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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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, 2009, the carrying amount of all ESC deposits was \$(3,085). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the ESC's deposits. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$1,275,367 of the ESC's bank balance of \$1,775,367 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**B. Investments**

As of June 30, 2009, 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	\$ 1,193,698	\$ -	\$ -	\$ 154,942	\$ -	\$ 1,038,756
FFCB	1,054,170	152,109	-	-	-	902,061
FHLB	1,459,704	-	-	-	150,375	1,309,329
U.S. Government money market mutual fund	20,712	20,712	-	-	-	-
STAR Ohio	2,834,917	2,834,917	-	-	-	-
Total	<u>\$ 6,563,201</u>	<u>\$ 3,007,738</u>	<u>\$ -</u>	<u>\$ 154,942</u>	<u>\$ 150,375</u>	<u>\$ 3,250,146</u>

The weighted average maturity of investments is 1.56 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 rating service. The ESC's investments in federal agency securities were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The ESC's investment policy does not specifically address credit risk beyond requiring the ESC to invest in securities authorized by State statute.

*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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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLMC	\$ 1,193,698	18.19
FFCB	1,054,170	16.06
FHLB	1,459,704	22.24
U.S. Government money market mutual fund	20,712	0.32
STAR Ohio	<u>2,834,917</u>	<u>43.19</u>
Total	<u>\$ 6,563,201</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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (3,085)
Investments	<u>6,563,201</u>
Total	<u>\$ 6,560,116</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,306,344
Agency funds	<u>1,253,772</u>
Total	<u>\$ 6,560,116</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following “due to/from other funds”:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 13,036

The primary purpose of the due to/from other funds is to cover negative cash balances 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.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

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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, 2009 consisted of the following as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$120,000

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.

- C.** Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following "interfund loans receivable/payable":

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 2,614

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. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

- D.** 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	\$ 9,114

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, 2009 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:

**Governmental activities:**

Accounts	\$ 430
Intergovernmental	3,242,240
Accrued interest	<u>68,549</u>
Total	<u>\$ 3,311,219</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, 2009, was as follows:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>06/30/09</u>
<b>Governmental activities:</b>				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 1,442,765	\$ 76,390	\$ -	\$ 1,519,155
Vehicles	<u>67,140</u>	<u>-</u>	<u>-</u>	<u>67,140</u>
Total capital assets, being depreciated	<u>1,509,905</u>	<u>76,390</u>	<u>-</u>	<u>1,586,295</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(894,270)	(129,042)	-	(1,023,312)
Vehicles	<u>(51,833)</u>	<u>(3,402)</u>	<u>-</u>	<u>(55,235)</u>
Total accumulated depreciation	<u>(946,103)</u>	<u>(132,444)</u>	<u>-</u>	<u>(1,078,547)</u>
Governmental activities capital assets, net	<u>\$ 563,802</u>	<u>\$ (56,054)</u>	<u>\$ -</u>	<u>\$ 507,748</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 11,954
Special	24,659
Vocational	134
Adult continuing	792
<u>Support services:</u>	
Pupil	22,533
Instructional staff	42,051
Administration	15,409
Fiscal	3,813
Business	2,329
Operations and maintenance	4,486
Central	217
Operations of non-instructional services	<u>4,067</u>
Total depreciation expense	<u>\$ 132,444</u>



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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 2009 principal and interest payments, which totaled \$871,144, were paid out of the Computer Network agency fund.

**NOTE 9 - LONG-TERM OBLIGATIONS**

During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/09</u>	Amounts Due in <u>One Year</u>
Compensated absences	\$ 438,026	\$ 163,606	\$ (112,041)	\$ 489,591	\$ 141,515
Total	<u>\$ 438,026</u>	<u>\$ 163,606</u>	<u>\$ (112,041)</u>	<u>\$ 489,591</u>	<u>\$ 141,515</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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2009, the ESC contracted with the School Insurance Consultants for property and general liability insurance.

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 2009, the ESC participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (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:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

	<u>Single Coverage</u>		<u>Family Coverage</u>	
	<u>Employee Share</u>	<u>Board Share</u>	<u>Employee Share</u>	<u>Board Share</u>
<u>Medical Mutual</u>				
Dental	\$ 3.53	\$ 31.80	\$ 8.51	\$ 76.63
Medical	26.56	239.06	148.74	594.98
Prescription	25.09	58.54	105.37	128.79
	<u>Employee/Spouse Coverage</u>		<u>Employee/Children Coverage</u>	
	<u>Employee Share</u>	<u>Board Share</u>	<u>Employee Share</u>	<u>Board Share</u>
<u>Medical Mutual</u>				
Dental	\$ 6.64	\$ 59.78	\$ 5.94	\$ 53.42
Medical	111.56	446.23	90.31	361.23
Prescription	79.03	96.59	63.97	78.19
Life Insurance - \$25,000 \$2,500 for Children, \$5,000 for Spouse	-	4.75	1.60	4.75

**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 2009, 9.09 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, 2009, 2008 and 2007 were \$295,815, \$282,672 and \$307,876, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**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 website 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.

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 2009, 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, 2009, 2008 and 2007 were \$1,314,011, \$1,153,727 and \$1,064,485, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$38,815 made by the ESC and \$69,054 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, 2009, certain members of the Board of Education have elected Social Security. The ESC's liability is 6.2 percent of wages paid.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 105(e). For 2009, 4.16 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 2009, the actuarially determined amount was \$35,800.

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 (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$239,906, \$233,015 and \$176,388, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The ESC's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$24,407, \$20,367 and \$20,936, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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 2009, 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, 2009, 2008, and 2007 were \$101,078, \$88,748 and \$81,883, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

**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.

**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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

***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.

***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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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, 2009, the carrying amount of all School deposits was \$732,760. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$250,000 of the School's bank balance of \$748,592 was covered by the FDIC, while \$498,592 was exposed to custodial risk as discussed below.

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, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2009</u>
Furniture and equipment	\$ 339,413	\$ -	\$ -	\$ 339,413
Less: accumulated depreciation	<u>(82,547)</u>	<u>(33,942)</u>	<u>-</u>	<u>(116,489)</u>
Capital assets, net	<u>\$ 256,866</u>	<u>\$ (33,942)</u>	<u>\$ -</u>	<u>\$ 222,924</u>



**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**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 2009, 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 the fiscal year ended June 30, 2009, purchased service expenses were as follows:

Professional and technical services	\$ 1,240,153
Property services	37,257
Travel expenses	13,441
Communications	<u>19,741</u>
Total	<u>\$ 1,310,592</u>

**F. Service Agreements**

*Area Cooperative Computerized Educational Service System (ACCESS)* - The School entered into a one-year agreement commencing on July 1, 2008 and ending June 30, 2009, 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 \$308.59 per month for services during fiscal year 2009.

*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 \$1,066,180 during fiscal year 2009 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, 2009.

**SUPPLEMENTARY INFORMATION**

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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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, 2009

	<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 . . . . .	\$ 9,885,255	\$ 10,242,392	\$ 10,017,970	\$ (224,422)
Earnings on investments . . . . .	144,770	150,000	143,542	(6,458)
Customer services. . . . .	3,563,691	3,692,440	3,429,455	(262,985)
Other local revenues . . . . .	835,290	865,467	15,737	(849,730)
Intergovernmental - State. . . . .	1,834,157	1,900,422	1,900,422	-
Intergovernmental - Federal . . . . .	538,122	557,563	556,414	(1,149)
Total revenue. . . . .	<u>16,801,285</u>	<u>17,408,284</u>	<u>16,063,540</u>	<u>(1,344,744)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,291,157	1,344,061	1,496,435	(152,374)
Special. . . . .	5,708,658	5,942,568	5,625,384	317,184
Vocational. . . . .	82,485	85,865	60,773	25,092
Support services:				
Pupil. . . . .	3,936,732	4,098,037	4,070,610	27,427
Instructional staff . . . . .	2,352,008	2,448,380	2,408,597	39,783
Board of education . . . . .	65,382	68,061	56,860	11,201
Administration. . . . .	1,654,740	1,722,542	849,471	873,071
Fiscal . . . . .	543,137	565,392	527,697	37,695
Business . . . . .	308,166	320,793	314,657	6,136
Operations and maintenance. . . . .	274,458	285,704	273,939	11,765
Pupil transportation . . . . .	360	375	371	4
Central. . . . .	537,494	559,517	584,927	(25,410)
Operation of non-instructional services . . . . .	201,734	210,000	204,834	5,166
Total expenditures . . . . .	<u>16,956,511</u>	<u>17,651,295</u>	<u>16,474,555</u>	<u>1,176,740</u>
Excess of expenditures over revenues . . . . .	<u>(155,226)</u>	<u>(243,011)</u>	<u>(411,015)</u>	<u>(168,004)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	5,057	5,240	5,240	-
Transfers (out) . . . . .	(115,277)	(120,000)	(120,000)	-
Advances in. . . . .	153,100	158,631	54,668	(103,963)
Advances (out) . . . . .	(50,914)	(53,000)	-	53,000
Total other financing sources (uses) . . . . .	<u>(8,034)</u>	<u>(9,129)</u>	<u>(60,092)</u>	<u>(50,963)</u>
Net change in fund balance . . . . .	(163,260)	(252,140)	(471,107)	(218,967)
<b>Fund balance at beginning of year . . . . .</b>	3,426,729	3,426,729	3,426,729	-
<b>Prior year encumbrances appropriated . . . . .</b>	306,186	306,186	306,186	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,569,655</u>	<u>\$ 3,480,775</u>	<u>\$ 3,261,808</u>	<u>\$ (218,967)</u>

SEE ACCOMPANYING NOTES TO THE BUDGETARY COMPARISON SCHEDULES

**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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Other local revenues . . . . .	\$ 5,000,000	\$ 5,777,500	\$ 5,551,884	\$ (225,616)
Total revenue . . . . .	<u>5,000,000</u>	<u>5,777,500</u>	<u>5,551,884</u>	<u>(225,616)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special. . . . .	674,728	732,977	547,899	185,078
Support services:				
Pupil. . . . .	577,827	627,711	781,043	(153,332)
Instructional staff . . . . .	642,753	698,242	652,770	45,472
Administration. . . . .	64,546	70,118	54,400	15,718
Fiscal . . . . .	727,220	790,000	781,586	8,414
Operations and maintenance. . . . .	141,834	154,078	125,393	28,685
Pupil transportation . . . . .	12,598	13,686	12,027	1,659
Central. . . . .	2,682,281	2,913,841	2,937,053	(23,212)
Total expenditures . . . . .	<u>5,523,787</u>	<u>6,000,653</u>	<u>5,892,171</u>	<u>108,482</u>
Excess of expenditures over revenues . . . . .	<u>(523,787)</u>	<u>(223,153)</u>	<u>(340,287)</u>	<u>(117,134)</u>
<b>Other financing (uses):</b>				
Refund of prior year receipts . . . . .	<u>(212)</u>	<u>(230)</u>	<u>(229)</u>	<u>1</u>
Total other financing (uses) . . . . .	<u>(212)</u>	<u>(230)</u>	<u>(229)</u>	<u>1</u>
Net change in fund balance . . . . .	(523,999)	(223,383)	(340,516)	(117,133)
<b>Fund balance (deficit) at beginning of year.</b>	(29,105)	(29,105)	(29,105)	-
<b>Prior year encumbrances appropriated . . .</b>	383,784	383,784	383,784	-
<b>Fund balance (deficit) at end of year . . . .</b>	<u>\$ (169,320)</u>	<u>\$ 131,296</u>	<u>\$ 14,163</u>	<u>\$ (117,133)</u>

SEE ACCOMPANYING NOTES TO THE BUDGETARY COMPARISON SCHEDULES

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
MISCELLANEOUS FEDERAL GRANTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Other revenue . . . . .	\$ 263,972	\$ 290,000	\$ -	\$ (290,000)
Intergovernmental - Federal . . . . .	1,121,964	1,232,591	634,615	(597,976)
Total revenue . . . . .	<u>1,385,936</u>	<u>1,522,591</u>	<u>634,615</u>	<u>(887,976)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Special . . . . .	19,659	146,252	41,168	105,084
Support services:				
Pupil . . . . .	112,989	840,560	264,813	575,747
Instructional staff . . . . .	25,789	191,855	174,610	17,245
Administration . . . . .	35,714	265,687	219,362	46,325
Fiscal . . . . .	8,270	61,526	61,553	(27)
Operations and maintenance . . . . .	4,274	31,797	10,605	21,192
Pupil transportation . . . . .	2,715	20,200	15,000	5,200
Total expenditures . . . . .	<u>209,410</u>	<u>1,557,877</u>	<u>787,111</u>	<u>770,766</u>
Net change in fund balance . . . . .	1,176,526	(35,286)	(152,496)	(117,210)
<b>Fund balance (deficit) at beginning of year.</b>	(24,642)	(24,642)	(24,642)	-
<b>Prior year encumbrances appropriated . .</b>	52,588	52,588	52,588	-
<b>Fund balance (deficit) at end of year . . . .</b>	<u>\$ 1,204,472</u>	<u>\$ (7,340)</u>	<u>\$ (124,550)</u>	<u>\$ (117,210)</u>

SEE ACCOMPANYING NOTES TO THE BUDGETARY COMPARISON SCHEDULES

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

**BUDGETARY NOTES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**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 and miscellaneous federal grants special revenue funds 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, 2009

**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 and miscellaneous federal grants special revenue funds:

	<u>General</u>	Early Learning <u>Initiative</u>	Miscellaneous <u>Federal Grants</u>
Budget basis	\$ (471,107)	\$ (340,516)	\$ (152,496)
Net adjustment for revenue accruals	315,415	(151,277)	56,505
Net adjustment for expenditure accruals	(105,359)	(26,750)	(32,133)
Net adjustment for other sources/(uses)	(59,908)	229	-
Adjustment for encumbrances	<u>435,523</u>	<u>284,555</u>	<u>111,514</u>
GAAP basis	<u>\$ 114,564</u>	<u>\$ (233,759)</u>	<u>\$ (16,610)</u>

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	(F) Pass Through Entity Number	Federal CFDA Number	(D) Receipts	(D) Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
(A),(B) School Breakfast Program	2009	10.553	\$36,552	\$36,552
(A),(B) National School Lunch Program	2009	10.555	63,210	63,210
Total U.S. Department of Agriculture - Nutrition Cluster			<u>99,762</u>	<u>99,762</u>
Child and Adult Care Food Program	2009	10.558	73,963	73,963
Fresh Fruit and Vegetable Program	2009	10.582	7,483	7,483
<b>Total Department of Agriculture</b>			<b><u>181,208</u></b>	<b><u>181,208</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
(C) Special Education Grants to States (IDEA Part B)	2008	84.027	174,717	176,609
(C) Special Education Grants to States (IDEA Part B)	2009	84.027	1,370,615	1,355,171
(C) Special Education - Preschool Grant	2008	84.173	2,050	
(C) Special Education - Preschool Grant	2009	84.173	109,099	108,499
<b>Total Special Education Cluster</b>			<b><u>1,656,481</u></b>	<b><u>1,640,279</u></b>
English Language Acquisition Grants	2009	84.365	58,069	54,108
Javits Gifted and Talented Students Education Grant Program	2009	84.206	3,000	
School Improvement Grants	2009	84.377	14,000	14,000
Special Education-State Personnel Development	2009	84.323	121,445	115,968
(E) Mathematics and Science Partnerships	2006	84.366	23,000	31,000
(E) Fund for the Improvement of Education-Teaching American History	2004	84.215X	25,644	25,644
<i>Passed through the Ohio Rehabilitation Services Commission:</i>				
Rehabilitation Services-Vocational Rehabilitation Grants	2009	84.126	473,526	506,413
<b>Total Department of Education</b>			<b><u>2,375,165</u></b>	<b><u>2,387,412</u></b>



**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	(F) Pass Through Entity Number	Federal CFDA Number	(D) Receipts	(D) Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
(G) Centers for Medicare & Medicaid Services (CMS Research Demonstrations and Evaluations Special Education Grants to States	N/A	9.778	369,563	0
<b>Total Department of Health and Human Services</b>			<b>369,563</b>	<b>0</b>
<b>Total Federal Assistance</b>			<b>\$2,925,936</b>	<b>\$2,568,620</b>

- (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) OAKS did not assign pass through numbers for fiscal year 2009.
- (G) These amounts relate to settlements for CAFS services provided during prior years.

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 Special Education-Grants for Infants and Families, and the Temporary Assistance for Needy Families grant. The ESC serves as the fiscal agent for the programs, which are passed through the council.

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



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INDEPENDENT ACCOUNTANTS' 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*

Mahoning County Educational Service Center  
Mahoning County  
100 DeBartolo Place, Suite 220  
Youngstown, Ohio 44512

To the Governing Board:

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 (the District), Mahoning County, Ohio as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 the District'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 the District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 the District's internal control.

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 the District'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 Governing Board and management 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.

CANTER & ASSOCIATES

A handwritten signature in blue ink that reads "Canter & Assoc".

Poland, Ohio  
February 12, 2010



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

Mahoning County Educational Service Center  
Mahoning County  
100 DeBartolo Place, Suite 220  
Youngstown, Ohio 44512

To the Governing Board:

Compliance

We have audited the compliance of Mahoning County Educational Service Center (the District), Mahoning County, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 \$1,305,863 and expended \$1,427,769 in federal awards during fiscal year 2009 that are not included in the Schedule of Expenditures of Federal Awards for the Mahoning County Educational Service Center for the year ended June 30, 2009.

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 \$75,435 and expended \$108,273 in federal awards during fiscal year 2009 that are not included in the Schedule of Expenditures of Federal Awards for Mahoning County Educational Service Center for the year ended June 30, 2009. 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 year ended June 30, 2009 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 the District'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 of the District's compliance with those requirements.

In our opinion, Mahoning County Educational Service Center, Mahoning County, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District'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 the District's internal control over compliance.

A *control deficiency* in an entity'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 the entity'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 the entity'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 the entity'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 solely for the information and use of management, the 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.



CANTER & ASSOCIATES

Poland, Ohio  
February 12, 2010, except for The Unlimited Classroom which is dated February 9, 2010.

**MAHONING COUNTY EDUCATIONAL SERVICE CENTER  
MAHONNING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
YEAR ENDED JUNE 30, 2009**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	<b>UNQUALIFIED</b>
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>NO</b>
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>NO</b>
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>NO</b>
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>NO</b>
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	<b>NO</b>
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	<b>UNQUALIFIED</b>
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	<b>NO</b>
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster: Special Education Grants to States-CFDA #84.027 and Special Education Preschool Grants-CFDA #84.173; Rehabilitation Services-Vocational Rehab Grants-CFDA #84.126
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	<b>YES</b>



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### **Independent Accountants' Report on Applying Agreed-Upon Procedures**

Mahoning County Educational Service Center  
Mahoning County  
100 DeBartolo Place, Suite 220  
Youngstown, Ohio 44125

To the Governing Board:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Mahoning County Educational Service Center, (the "District") has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on July 17, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Governing Board and is not intended to be and should not be used by anyone other than these specified parties.



**Canter & Associates**

February 12, 2010





**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  
MAY 6, 2010**