MAHONING AND COLUMBIANA TRAINING ASSOCIATION

LOCAL WORKFORCE INVESTMENT AREA NUMBER 7/24

AUDIT REPORT

FOR THE PERIOD JULY 1, 2000 THROUGH JUNE 30, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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To the Board of Trustees of
The Mahoning & Columbiana Training Association
Youngstown, Ohio

We have reviewed the Independent Auditor's Report of the Mahoning & Columbiana Training Association, Mahoning County, prepared by Smith and Company, CPAs, for the audit period July 1, 2000 through June 30, 2001. 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 & Columbiana Training Association is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

May 28, 2002

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MAHONING AND COLUMBIANA TRAINING ASSOCIATION
AUDIT REPORT
FOR THE PERIOD JULY 1, 2000 THROUGH JUNE 30, 2001

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SMITH AND COMPANY
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MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OHIO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Mahoning and Columbiana
Training Association
Youngstown, Ohio

We have audited the accompanying general purpose financial statements of the Mahoning and Columbiana Training Association (MCTA) as of and for the year then ended June 30, 2001, as listed in the accompanying Table of Contents. These general purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion of these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Mahoning and Columbiana Training Association as of June 30, 2001, and the results of its operations 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 March 28, 2002 on the consideration of the Mahoning and Columbiana Training Association internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of MCTA taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and is not a required part of the general purpose financial statements. The supplemental data on pages 30 through 36 (as listed in the Table of Contents) are presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Sincerely,

SMITH AND COMPANY
Certified Public Accountants

March 28, 2002

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
COMBINED BALANCE SHEET - ALL FUNDS TYPE AND ACCOUNT GROUP
AS OF JUNE 30, 2001

	Governmental Fund Type Special Revenue	Account Group General Fixed Assets	Totals (Memorandum Only)
ASSETS			
Cash and Cash Equivalents	$ 893,228	$ 0	$ 893,228
Due from other governments	220,944	0	220,944
Fixed Assets:			
Furniture, Fixtures and Equipment	0	123,029	123,029
Less: Accumulated Depreciation	0	(75,603)	(75,603)
Restricted Cash and Cash Equivalents	134,108	0	134,108
Total Assets	$1,248,280	$ 47,426	$1,295,706
LIABILITIES			
Accounts Payable	$ 125,750	$ 0	$ 125,750
Accrued Wages & Benefits	196,457	0	196,457
Deferred Revenue	630,430	0	630,430
Compensated Absences Payable	144,981	0	144,981
Total Liabilities	1,097,618	0	1,097,618
FUND EQUITY			
Investment in General Fixed Assets	0	47,426	47,426
Fund Balance:			
Unreserved/Undesignated	150,662	0	150,662
Total Fund Equity	$ 150,662	$ 47,426	$ 198,088
Total Liabilities and Fund Equity	$1,248,280	$ 47,426	$1,295,706

The notes to the general purpose financial statements are an integral part of these statements.

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Type Special Revenue
REVENUES	
Intergovernmental	$ 3,638,204
Stand-in Revenues	14,765
Program Income	5,906
Total Revenues	3,658,875
EXPENDITURES	
MCTA Costs:	
Personnel Costs	1,560,044
Operating Costs	211,647
Total MCTA Costs	1,771,691
Direct Participant Costs:	
Supported Services	284,978
Training Costs	843,172
Participant Wages and Benefits	744,269
Stand-In Costs	14.765
Total Direct Participant Costs	1,887,184
Total Expenditures	3,658,875
Excess (Deficiency) of Revenues Over Expenditures	-0-
Fund Balance at Beginning of Year	150,662
Fund Balance at End of Year	$ 150,662

The notes to the general purpose financial statements are an integral part of these statements.

NOTE 1: **DESCRIPTION OF ENTITY**

On August 7, 1998, President Clinton Signed the Workforce Investment Act of 1998 (WIA), which is comprehensive reform legislation that superseded the Job Training Partnership Act (JTPA) and amends the Wagner-Peyser Act. WIA reforms Federal job training programs and creates a new, comprehensive workforce investment system. The system is intended to be customer-focused, to help Americans access the tools they need to manage their careers through information and high quality services, and to help U.S. companies find skilled workers.

The State of Ohio Department of Job and Family Services is the State Agency designated as the State Workforce Investment Board to oversee the state plan in implementing the WIA program. The commissioners of Mahoning and Columbiana counties appointed the Mahoning and Columbiana Training Association (MCTA) to administer the WIA program as described in the workforce investment plan, to follow rules and regulations promulgated to carry out the purpose of the act, and to comply with applicable federal, state, and local laws, rules and regulations. Any liabilities incurred by the program are ultimately the responsibility of the Mahoning and Columbiana commissioners.

Ohio's 88 counties and two selected cities comprise eight separate workforce investment areas. One city and 10 counties have chosen to implement WIA through the conventional model.

The city of Cincinnati, and 78 counties have chosen the Ohio workforce strategic option. As Ohio option counties and cities, these entities implement WIA as a single designated workforce area, or as sub-areas composed of multi-county, regional partnerships. All of Ohio option sub-areas form workforce investment area 7, which works directly with the Ohio option board.

MCTA is a member of the Ohio option area, and is known as Ohio option area 7/24.

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

A. **Basis of Presentation**

The financial reporting practices of MCTA conform to accounting principles generally accepted in the United States of America as applicable to local governments.

The accounts of MCTA are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Individual funds and account groups which are used by MCTA and are summarized in the accompanying combined general purpose financial statements are classified as follows:

Governmental Funds

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Account Groups

General Fixed Assets Account Group - To account for all fixed assets of MCTA.

B. **Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

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

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

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings and intergovernmental revenue. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made.

B. **Basis of Accounting**

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

MCTA reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transactions can

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

be determined and "available" means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year.

C. **Fixed Assets**

Fixed Assets include furniture, fixtures, and equipment purchased by MCTA. At the time of purchase, such assets are recorded as expenditures in the Governmental funds and are accounted for in the General Fixed Assets Account Group.

All fixed assets are valued at historical cost or estimated historical cost if actual historical costs is not available. MCTA's capitalization policy requires that depreciation be computed an all non-expendable personal property having a useful life of more than one year and purchase price of $1,000 or more per unit. The amount of depreciation is to be computed over 10 years at 10% of cost. Depreciation is only recorded in the general fixed assets account group.

D. **Budgetary Process**

MCTA's annual budget is primarily a management tool that assists its users in analyzing financial activity for its fiscal year ending June 30.

MCTA's primary funding source is federal and state grants which have grant periods that may or may not coincide with the Agency's fiscal year. These grants normally are for a twelve-month period, ending June 30. However, they can be awarded for periods longer than twelve months.

Because of MCTA's dependency on federal and state budgetary decisions, revenue estimates are based upon the best available information as to potential sources of funding. The annual budget differs from that of a local government in two respects:

1) the uncertain nature of grant awards from other entities
2) conversion of grant budgets to a fiscal year basis

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

The resultant annual budget is subject to constant change within the fiscal year due to:

~ Increase/decreases in actual grant awards from those estimated;
~ Changes in grant periods;
~ Unanticipated grant awards not included in the budget; and
~ Expected grant awards which fail to materialize.

The Executive Board formally approved the annual budget, but greater emphasis is placed on complying with the grant budget, terms and conditions on a grant-by grant basis. These terms and conditions usually specify the period during which costs may be incurred and outline budget restrictions or allowances.

Although the annual budget for the Special Revenue funds is reviewed and approved by the Executive Board, it is not a legally adopted budget and it is not subject to the budget procedures that are followed by the County Budget Commission.

E. **Total Column on Combined Financial Statements**

Total columns on the combined statements are captioned "Totals-(memorandum only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

NOTE 3: **CASH AND INVESTMENTS**

The captions on the combined balance sheet related to cash and cash equivalents and the amount in the total column is as follows

Cash in checking	893,228
Cash in savings	134,108
Total deposits	1,027,336

NOTE 3: **CASH AND INVESTMENTS** (Continued)

State statutes classify monies held by MCTA 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 MCTA, 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 MCTA had identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit account including, but limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of MCTA's deposits is proved by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution a security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

NOTE 3: **CASH AND INVESTMENTS** (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be market to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds or other obligations of the State of Ohio;

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

6. The State Treasurer's investment pool (STAR Ohio).

7. Certain banker's acceptance and commercial paper notes for the period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purchase of arbitrage, the use of leverage, and short selling are prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of MCTA, and must be purchased with the expectation that it will be held until 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.

The following information classified deposits and investments by categories or risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Repurchase Agreements.*

Deposits

The Governmental Accounting Standards Board has established risk categories for deposits as follows:

Category 1 - Insured or collateralized with securities held by MCTA or its agent in MCTA's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agency in MCTA's name.

Category 3 - Uncollateralized. (This included any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in MCTA's name).

NOTE 3: **CASH AND INVESTMENTS** (Continued)

		Book Balance	Bank Balance
Category 1	National City Bank	$ 100,000	$ 100,000
Category 30	National City Bank	927,336	1,426,812
Total Deposits		$1,027,336	$1,526,812

All deposits are carried at cost. At year end, the carrying amount of MCTA's deposits was $1,027,336, and the bank balance was $1,526,812. Of the bank balance, $100,000 was insured and $1,426,812 was classified as Risk Category 3.

Investments

MCTA had no investments as of June 30, 2001.

NOTE 4: **DUE FROM OTHER GOVERNMENTS**

Due from Other Governments represents amounts owed to Mahoning and Columbiana Training Association from the Ohio Department of Jobs and Family Services for grant funds earned but not received. As of June 30, 2001, the balance of Due from Other Governments in the Governmental funds is $220,944.

NOTE 5: **FIXED ASSETS**

General Fixed Assets Account Group - A summary of the changes in general fixed assets during the year ended June 30, 2001 follows:

	Balance 6/30/00	Additions	Deletions	Balance 6/30/01
Equipment, Furniture & Fixtures	$114,039	$ 8,990	$ 0	$123,029
Accum. Depreciation	(63,300)	(12,303)	0	(75,603)
Total	$ 50,739	$(3,313)	$ -0-	$ 47,426

NOTE 6: **DEFINED PENSION BENEFIT PLAN**

Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist MCTA in complying with GASB Statement No. 27 and No. 12, *Accounting for Pensions for State and Local Government Employers*.

Public Employees Retirement System (the "PERS of Ohio")

1. **Pension Benefit Obligations**

All full-time employees of MCTA participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The PERS of Ohio issued a stand-alone financial report that includes general purpose financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employees and employer contributions. The employee contribution rate for employees is 8.5%. For the Calender year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer rate for local government employer units was 10.84% of covered payroll, 6.54% to fund the pension benefit obligation and 4.30% to fund health care. The contribution requirements of plan members and MCTA are established and may be amended by the Public Employees Retirement Board. MCTA's contributions to the PERS of Ohio for the years 2001, 2000 and 1999 were $127,442, $95,410, and $84,625 respectively, which was equal to the required contributions for each year.

NOTE 6: **DEFINED PENSION BENEFIT PLAN**

Public Employees Retirement System (the "PERS of Ohio")

2. **Other Post-employment Benefits** (Continued)

The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health Care coverage for disability recipients and primary survivor recipients is available. The health Care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by state statute. The portion of the employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2001 was 4.30%, which amounted to $40,437 of covered payroll.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial performed as of December 31, 1999, include a rate of return on investment of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were $10,805.5 million.

NOTE 6: **DEFINED PENSION BENEFIT PLAN**

Public Employees Retirement System (the "PERS of Ohio")

2. **Other Post-employment Benefits** (Continued)

   The actuarially accrued liability and the unfunded actuarial liability were $12,473.6 million and $1,668.1 million, respectively. For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosure had been based on a pay-as-you-go funding.

NOTE 7: **COMPENSATED ABSENCES**

Full-time employees are eligible for paid vacation leave according to the following eligibility guidelines:

Years of Service	Vacation	Hours Accrued Per 80 Hour Pay Period
Less than 1 year	None	None**
1 year up to 8 years	80 hours	3.07
8 years up to 15 years	120 hours	4.60
15 years up to 25 years	160 hours	6.14
25 years or more	200 hours	7.67

** No employee is eligible to take vacation leave until one year after their initial employment, or years of service exceed one year.

The liability for accumulated vacations of $47,733 at June 30, 2001 for governmental fund types, which represents normal accumulations, has been recorded in the Special Revenue Fund. MCTA's sick leave policy permits the accumulation of 15 sick days per year, with no limits set on the amount accumulated. Full-time employees are paid for unused sick days upon termination of employment according to the following conditions:

1. The employee is in good standing at time of termination, and

NOTE 7: **COMPENSATED ABSENCES** (Continued)

2. Shall be converted as follows:

Years of Service	Amount Paid	Maximum Payable
Less than five	None	None
Five but less than eight	50%	30 days
Eight or more years	50%	180 days

In the case of death of an employee, payment of cash conversion of sick leave benefit will be made to the estate of the employee in accordance with the above paragraph, exclusive of years of service.

The liability for accumulated sick leave of $97,248 at June 30, 2001 for governmental fund types has also been recorded in the Special Revenue Fund.

NOTE 8: **CONTINGENT LIABILITIES**

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. MCTA's management believes dis-allowances, if any, will be immaterial.

There are no expenditures recommended for disallowance. Cost recommended for disallowance are those involving expenditures for which existing documentary evidence leads the auditor to conclude that the expenditures were in violation of legislative or regulatory requirements. These costs are disallowed by the Grantor unless the grantee is able to convince the Grantor that they were made in accordance with legal or regulatory requirements.

There are no expenditures listed as questionable. Questionable costs are those involving the lack of or inadequacy of documentary support. Findings containing questionable costs do not necessarily mean that the costs were used for improper purposes, but that there was insufficient documentary evidence to allow a determination of their eligibility.

NOTE 9: **INSURANCE AND RISK MANAGEMENT**

MCTA is exposed to various risks of loss related to torts, thefts of, damages to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During 2000, MCTA contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Deductible
Cincinnati Insurance Co.	General Liability	$ 250
Cincinnati Insurance Co.	Blanket Employee Bond	$ 0

MCTA pays the State Worker's Compensation system a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

MCTA continued to carry commercial insurance for other risks of loss, including employee health and life insurance. Settled claims resulting from the above noted risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 10: **OPERATING LEASES**

MCTA has entered into two operating leases for office space, which contain cancellation provisions and are subject to annual appropriations. Rental expense under both operating lease agreements was approximately $60,540 in the year ended June 30, 2001.

NOTE 11: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE**

For 2001, MCTA has implemented GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions and GASB Statement No.36, Recipient Reporting for Certain Shared Non-exchange Revenues. GASB Statement No. 33 establishes accounting and financial reporting standards about when (in which fiscal year) to report the results of non-exchange transactions. GASB Statement No. 36 supercedes paragraph 28 of GASB Statement No. 33. GASB Statement No. 36 eliminates the timing difference for shared revenues by requiring recipient governments to account for the sharing of revenues in the same manner as provider governments.

NOTE 11: **CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE** (Continued)

The implementation of GASB Statement No. 33 and GASB Statement No. 36 had no effect on the fund balance as it was previously reported.

During 2001, it was determined that fund balances in other program (non-grant) funds were misstated. This restatement had the following effect on fund balances as they were previously reported.

	Special Revenue
Fund balance, June 30, 2000	$ -
Other programs	150,662
Fund balance, June 30, 2000	$ 150,662

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2001

Federal Grantor/ Pass Through Grantor	Program Titles	CFDA Number	Expenditures
U.S. Department of Labor:			
Pass-Through Programs From:			
Ohio Department of Job and Family Services-WIA			
Workforce Investment Act			
WIA Adult		17.255	$ 938,834
WIA Youth		17.255	756,527
WIA Dislocated Worker		17.255	413,857
WIA Administration		17.255	292,183
Total CFDA #17.255			$2,401,401
Ohio Department of Job and Family Services-JTPA			
JTPA Carryover PY99			
Title IIA-77%	0-99-25-00-01	17.250	$ 16,946
Title IIA-5%	1-99-25-00-01	17.250	243
Title IIA-5%	3-98-25-00-00	17.250	3,726
Title IIB	5-99-25-00-00	17.250	3,332
Title IIC	Y-99-25-00-00	17.250	4,039
Total CFDA #17.250			$ 28,286
Ohio Department of Job and Family Services-JTPA			
JTPA Carryover PY99			
Title III-Governor's Reserve	B-99-25-00-01	17.246	$ 243
Total CFDA #17.246			$ 243
Ohio Department of Job and Family Services-WTW			
Welfare to Work			
Mahoning Co. Chemical Dependency Programs		17.253	$ 217,591
Total CFDA #17.253			$ 217,591
Total U.S. Department of Labor And Total Federal Awards Expended			$2,647,521

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2001
(CONTINUED)

Federal Grantor/ Pass Through Grantor	Program Titles	CFDA Number	Expenditures
U.S. Department of Health and Human Services:			
Pass Through Programs From:			
Ohio Department of Job and Family Services-TANF			
Temporary Assistance For Needy Families			
Mahoning County		93.558	$ 176,320
Columbiana County		93.558	208,265
Total CFDA #93.558			$ 384,585

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2001

NOTE A: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of Mahoning and Columbiana Training Association's federal award programs. The schedule has been prepared on the GAAP (accrual) basis of accounting.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
The Mahoning and Columbiana
Training Association
Youngstown, Ohio

We have audited the general purpose financial statements of the Mahoning and Columbiana Training Association (MCTA) as of and for the year ended June 30, 2001, and have issued our report thereon dated March 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether MCTA's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we reported to management to MCTA in a separate letter dated March 28, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MCTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Trustees, 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.

Sincerely,

SMITH AND COMPANY
Certified Public Accountants

March 28, 2002

SMITH AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
4817 STATE ROAD, SUITE 200
ASHTABULA, OH 44004
TEL.440-993-6002/FAX 440-992-1121

MEMBER AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OHIO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Trustees of
Mahoning and Columbiana
Training Association

Compliance

We have audited the compliance of the Mahoning and Columbiana Training Association (MCTA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2001. MCTA's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of MCTA's management. Our responsibility is to express an opinion on MCTA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of State, 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 MCTA'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 MCTA's compliance with those requirements.

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

Internal Control Over Compliance

The management of MCTA is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered MCTA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information of the Board of Trustees, management, and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

SMITH AND COMPANY
Certified Public Accountants

March 28, 2002

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS
JULY 1, 2000 THROUGH JUNE 30, 2001

The prior audit report as of June 30, 2000 included no citations. Management letter recommendations have been corrected or procedures instituted to prevent occurrences in this audit period.

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
JUNE 30, 2001

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

2000(i)	Type of Financial Statement Opinion	Unqualified
2000(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
2000(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
2000(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2000(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2000(v)	Type of Major Programs' Compliance Opinion	Unqualified
2000(vi)	Are there any reportable findings under Section.510?	No
2000(vii)	Major Programs (list):	Job Training
	CFDA Numbers	
	17.255	Workforce Investment Act
	17.253	Welfare to Work
	93.558	TANF
2000(viii)	Dollar Threshold: Type A/B Programs	$300,000
2000(ix)	Low Risk Auditee?	Yes

2. **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL TITLE IIA,77%
FOR THE YEAR ENDED JUNE 30, 2001

0-99-30-00-01	Totals	Administrative	Program Costs
ALLOCATION			
ALLOCATION AMOUNT	$574,270	$86,140	$488,130
TRANSFERS	70,000	10,500	59,500
TOTAL ALLOCATION	644,270	96,640	547,630
EXPENDITURES			
EXPENDITURES 7/1/99-6/30/00	591,622	42,995	548,627
EXPENDITURES 7/1/00-6/30/01	16,946	16,946	0
TOTAL EXPENDITURES	608,568	59,941	548,627
UNEXPENDED FUNDS	35,702	36,699	(997)
PERCENTAGE OF ALLOCATION	94.46%	9.30%	85.15%
BUDGET			
PY99BUDGET	644,270	96,640	547,630
PERCENTAGE ACHIEVED	94.46%	62.03%	100.18%
85% ANALYSIS			
EXPENDITURES	608,568		
OBLIGATIONS	0		
TOTAL	608,856		
PERCENTAGE ACHIEVED	94.46%		

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE IIA, 5%
FOR THE YEAR ENDED JUNE 30, 2001

1-99-25-00-01	Totals	Administrative	Program Costs
ALLOCATION			
ALLOCATION AMOUNT	$40,345	$6,055	$34,290
TRANSFERS	0		
TOTAL ALLOCATION	40,345	6,055	34,290
EXPENDITURES			
EXPENDITURES 7/1/99-6/30/00	19,251	7,544	11,707
EXPENDITURES 7/1/00-6/30/01	243	243	0
TOTAL EXPENDITURES	19,494	7,787	11,707
UNEXPENDED FUNDS	20,851	(1,732)	22,583
PERCENTAGE OF ALLOCATION	48.32%	19.3%	29%
BUDGET			
PY99BUDGET	40,345	6,055	34,290
PERCENTAGE ACHIEVED	48.32%	128.6%	34.14%
85% ANALYSIS			
EXPENDITURES	19,494		
OBLIGATIONS	0		
TOTAL	19,494		
PERCENTAGE ACHIEVED	48.32%		

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE IIA, 5% INC.
FOR THE YEAR ENDED JUNE 30, 2001

3-98-25-00-00	Totals	Administrative
ALLOCATION		
ALLOCATION AMOUNT	$69,227	$69,227
TRANSFERS	0	
TOTAL ALLOCATION	69,227	69,227
EXPENDITURES		
EXPENDITURES 7/1/99-6/30/00	62,365	62,365
EXPENDITURES 7/1/00-6/30/01	3,726	3,726
TOTAL EXPENDITURES	66,091	66,091
UNEXPENDED FUNDS	3,136	3,136
PERCENTAGE OF ALLOCATION	95.47%	95.47%
BUDGET		
PY99BUDGET	69,227	69,227
PERCENTAGE ACHIEVED	95.47%	95.47%
85% ANALYSIS		
EXPENDITURES	66,091	
OBLIGATIONS	0	
TOTAL	66,091	
PERCENTAGE ACHIEVED	95.47%	

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE IIB
FOR THE YEAR ENDED JUNE 30, 2001

5-99-25-00-01	Totals	Administrative	Program Costs
ALLOCATION			
ALLOCATION AMOUNT	$634,839	$47,780	$587,059
TRANSFERS	(217,463)	(28,918)	(188,545)
TOTAL ALLOCATION	417,376	18,862	398,514
EXPENDITURES			
EXPENDITURES 7/1/98-6/30/99	68,411	0	68,411
EXPENDITURES 7/1/99-6/30/00	345,633	15,530	330,103
EXPENDITURES 7/1/00-6/30/01	3,332	3,332	0
TOTAL EXPENDITURES	417,376	18,862	398,514
UNEXPENDED FUNDS	0	0	0
PERCENTAGE OF ALLOCATION	100%	4.52%	95.48%
BUDGET			
PY99BUDGET	417,376	18,862	398,514
PERCENTAGE ACHIEVED	100%	100%	100%
85% ANALYSIS			
EXPENDITURES	417,376		
OBLIGATIONS	0		
TOTAL	417,376		
PERCENTAGE ACHIEVED	100%		

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE IIC
FOR THE YEAR ENDED JUNE 30, 2001

Y-99-25-00-01	Totals	Administrative	Program Costs
ALLOCATION			
ALLOCATION AMOUNT	$78,357	$15,456	$62,901
TRANSFERS	147,463	18,418	129,045
TOTAL ALLOCATION	225,820	33,874	191,946
EXPENDITURES			
EXPENDITURES 7/1/99-6/30/00	178,580	16,671	161,909
EXPENDITURES 7/1/00-6/30/01	4,039	4,039	0
TOTAL EXPENDITURES	182,619	20,710	161,909
UNEXPENDED FUNDS	43,201	13,164	30,037
PERCENTAGE OF ALLOCATION	80.86%	9.17%	71.7%
BUDGET			
PY99BUDGET	225,820	33,874	191,946
PERCENTAGE ACHIEVED	80.86%	61.14%	84.35%
85% ANALYSIS			
EXPENDITURES	182,619		
OBLIGATIONS	0		
TOTAL	182,619		
PERCENTAGE ACHIEVED	80.86%		

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
ANALYSIS OF COST LIMITATIONS AND BUDGET TO ACTUAL, TITLE III GOVERNORS RESERVE
FOR THE YEAR ENDED JUNE 30, 2001

B-99-25-00-01	Totals	Administrative	Program Costs	Rapid Response
ALLOCATION				
ALLOCATION AMOUNT	$188,168	$20,725	$117,443	$50,000
TRANSFERS	0	0	0	0
TOTAL ALLOCATION	188,168	20,725	117,443	50,000
EXPENDITURES				
EXPENDITURES 7/1/99-6/30/00	187,925	19,104	118,821	50,000
EXPENDITURES 7/1/00-6/30/01	243	243	0	0
TOTAL EXPENDITURES	188,168	19,347	118,821	50,000
UNEXPENDED FUNDS	0	1,378	(1,378)	0
PERCENTAGE OF ALLOCATION	100%	10.3%	63.15%	
BUDGET				
PY99BUDGET	188,168	20,725	117,443	50,000
PERCENTAGE ACHIEVED	100%	92.18%	98.84%	100%
85% ANALYSIS				
EXPENDITURES	188,168			
OBLIGATIONS	0			
TOTAL	188,168			
PERCENTAGE ACHIEVED	100%			

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
SCHEDULE OF VARIANCES
FOR THE YEAR ENDING JUNE 30, 2001

None

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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MAHONING AND COLUMBIANA TRAINING ASSOCIATION

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 11, 2002