

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

Trumbull County Educational Service Center
Trumbull County
347 N. Park Avenue
Warren, Ohio 44481

To the Governing Board:

We have audited the accompanying general-purpose financial statements of the Trumbull County Educational Service Center, Trumbull County (the Educational Service Center) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Trumbull County Educational Service Center, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the accompanying general-purpose financial statements, during the year ended June 30, 1999, the Educational Service Center changed the fund type classification for the investment trust fund.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Educational Service Center taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2000 on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the printed name and title.

Jim Petro
Auditor of State

January 21, 2000

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Trumbull County Educational Service Center
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,966,153	\$838,085	\$20,792
Cash and Cash Equivalents In Segregated Accounts	0	0	0
Receivables:			
Accounts	0	0	0
Intergovernmental	87,821	0	0
Accrued Interest	0	0	0
Prepaid Items	67,368	858	0
Fixed Assets	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
Total Assets and Other Debits	\$2,121,342	\$838,943	\$20,792
 Liabilities, Fund Equity and Other Credits			
Liabilities			
Accounts Payable	\$12,795	\$43,940	\$0
Accrued Wages and Benefits	978,908	26,750	0
Compensated Absences Payable	4,703	0	0
Intergovernmental Payable	289,025	25,583	0
Undistributed Monies	0	0	0
Capital Leases Payable	0	0	0
Total Liabilities	1,285,431	96,273	0
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	53,275	210,797	0
Unreserved, Undesignated	782,636	531,873	20,792
Total Fund Equity and Other Credits	835,911	742,670	20,792
Total Liabilities, Fund Equity and Other Credits	\$2,121,342	\$838,943	\$20,792

See accompanying notes to the general purpose financial statements

Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$1,823,112	\$0	\$0	\$4,648,142
1,131,892	0	0	1,131,892
9,831	0	0	9,831
128,307	0	0	216,128
3,717	0	0	3,717
6,228	0	0	74,454
0	2,908,364	0	2,908,364
0	0	466,098	466,098
<u>\$3,103,087</u>	<u>\$2,908,364</u>	<u>\$466,098</u>	<u>\$9,458,626</u>
\$56,550	\$0	\$0	\$113,285
46,525	0	0	1,052,183
4,184	0	403,539	412,426
763,393	0	49,817	1,127,818
2,232,435	0	0	2,232,435
0	0	12,742	12,742
<u>3,103,087</u>	<u>0</u>	<u>466,098</u>	<u>4,950,889</u>
0	2,908,364	0	2,908,364
0	0	0	264,072
0	0	0	1,335,301
0	2,908,364	0	4,507,737
<u>\$3,103,087</u>	<u>\$2,908,364</u>	<u>\$466,098</u>	<u>\$9,458,626</u>

Trumbull County Educational Service Center

Combined Statement of Revenues, Expenditures

and Changes in Fund Balances

All Governmental Fund Types

For the Fiscal Year Ended June 30, 1999

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Revenues				
Intergovernmental	\$3,468,330	\$1,357,522	\$10,000	\$4,835,852
Interest	171,872	0	0	171,872
Tuition and Fees	93,817	0	0	93,817
Donations	163,957	1,248	0	165,205
Charges for Services	6,497,815	0	0	6,497,815
Miscellaneous	158,213	0	0	158,213
Total Revenues	10,554,004	1,358,770	10,000	11,922,774
Expenditures				
Current:				
Instruction:				
Regular	129,796	104,450	0	234,246
Special	2,987,090	29,083	0	3,016,173
Vocational	0	507,555	0	507,555
Support Services:				
Pupils	2,540,575	12,073	0	2,552,648
Instructional Staff	2,808,134	536,543	0	3,344,677
Board of Education	23,667	0	0	23,667
Administration	1,323,463	94,263	0	1,417,726
Fiscal	285,875	3,000	0	288,875
Business	166,440	0	0	166,440
Operation and Maintenance of Plant	69,153	0	0	69,153
Pupil Transportation	29,159	3,750	0	32,909
Central	4,348	6,000	0	10,348
Operation of Non-Instructional Services	1,534	0	0	1,534
Capital Outlay	1,077	0	44,477	45,554
Debt Service:				
Principal Retirement	69,171	0	0	69,171
Interest and Fiscal Charges	2,900	0	0	2,900
Total Expenditures	10,442,382	1,296,717	44,477	11,783,576
Excess of Revenues Over (Under) Expenditures	111,622	62,053	(34,477)	139,198
Fund Balances Beginning of Year	724,289	680,617	55,269	1,460,175
Fund Balances End of Year	\$835,911	\$742,670	\$20,792	\$1,599,373

See accompanying notes to the general purpose financial statements

Trumbull County Educational Service Center

Combined Statement of Revenues, Expenditures and Changes In

Fund Balances - Budget (Non-GAAP Basis) and Actual

All Governmental Fund Types

For the Fiscal Year Ended June 30, 1999

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Intergovernmental	\$3,585,717	\$3,975,441	\$389,724
Interest	171,872	171,872	0
Tuition and Fees	93,817	93,817	0
Donations	163,957	163,957	0
Charges for Services	6,497,815	6,497,815	0
Miscellaneous	121,862	121,862	0
<i>Total Revenues</i>	<u>10,635,040</u>	<u>11,024,764</u>	<u>389,724</u>
Expenditures			
Current:			
Instruction:			
Regular	165,553	164,808	745
Special	3,057,126	3,033,659	23,467
Vocational	0	0	0
Support Services:			
Pupils	2,567,912	2,549,691	18,221
Instructional Staff	2,828,374	2,819,355	9,019
Board of Education	38,131	24,710	13,421
Administration	1,578,407	1,338,517	239,890
Fiscal	304,476	271,354	33,122
Business	200,820	172,261	28,559
Operation and Maintenance of Plant	130,841	99,958	30,883
Pupil Transportation	41,036	30,973	10,063
Central	9,000	3,915	5,085
Operation of Non-Instructional Services	3,058	1,534	1,524
Capital Outlay	10,000	1,077	8,923
<i>Total Expenditures</i>	<u>10,934,734</u>	<u>10,511,812</u>	<u>422,922</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(299,694)	512,952	812,646
<i>Fund Balances Beginning of Year</i>	1,341,606	1,341,606	0
Prior Year Encumbrances Appropriated	48,847	48,847	0
<i>Fund Balances End of Year</i>	<u>\$1,090,759</u>	<u>\$1,903,405</u>	<u>\$812,646</u>

(continued)

Trumbull County Educational Service Center
*Combined Statement of Revenues, Expenditures and Changes In
Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types (continued)
For the Fiscal Year Ended June 30, 1999*

	Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$1,361,417	\$1,357,522	(\$3,895)
Interest	0	0	0
Tuition and Fees	0	0	0
Donations	1,248	1,248	0
Charges for Services	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>1,362,665</u>	<u>1,358,770</u>	<u>(3,895)</u>
Expenditures			
Current:			
Instruction:			
Regular	124,235	104,436	19,799
Special	50,460	42,570	7,890
Vocational	594,000	594,000	0
Support Services:			
Pupils	22,192	11,611	10,581
Instructional Staff	876,536	586,163	290,373
Board of Education	0	0	0
Administration	165,738	109,858	55,880
Fiscal	11,000	6,966	4,034
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	25,000	18,750	6,250
Central	21,000	6,000	15,000
Operation of Non-Instructional Services	0	0	0
Capital Outlay	0	0	0
<i>Total Expenditures</i>	<u>1,890,161</u>	<u>1,480,354</u>	<u>409,807</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(527,496)	(121,584)	405,912
<i>Fund Balances Beginning of Year</i>	673,028	673,028	0
Prior Year Encumbrances Appropriated	45,125	45,125	0
<i>Fund Balances End of Year</i>	<u>\$190,657</u>	<u>\$596,569</u>	<u>\$405,912</u>

See accompanying notes to the general purpose financial statements.

Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$10,000	\$10,000	\$0	\$4,957,134	\$5,342,963	\$385,829
0	0	0	171,872	171,872	0
0	0	0	93,817	93,817	0
0	0	0	165,205	165,205	0
0	0	0	6,497,815	6,497,815	0
0	0	0	121,862	121,862	0
10,000	10,000	0	12,007,705	12,393,534	385,829
0	0	0	289,788	269,244	20,544
0	0	0	3,107,586	3,076,229	31,357
0	0	0	594,000	594,000	0
0	0	0	2,590,104	2,561,302	28,802
59,224	39,928	19,296	3,764,134	3,445,446	318,688
0	0	0	38,131	24,710	13,421
0	0	0	1,744,145	1,448,375	295,770
2,000	2,000	0	317,476	280,320	37,156
0	0	0	200,820	172,261	28,559
4,185	2,689	1,496	135,026	102,647	32,379
0	0	0	66,036	49,723	16,313
0	0	0	30,000	9,915	20,085
0	0	0	3,058	1,534	1,524
0	0	0	10,000	1,077	8,923
65,409	44,617	20,792	12,890,304	12,036,783	853,521
(55,409)	(34,617)	20,792	(882,599)	356,751	1,239,350
51,289	51,289	0	2,065,923	2,065,923	0
4,120	4,120	0	98,092	98,092	0
\$0	\$20,792	\$20,792	\$1,281,416	\$2,520,766	\$1,239,350

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

Note 1 - Description of the Educational Service Center

In 1914, the Trumbull County Educational Service Center ("Educational Service Center") was formed. The Educational Service Center supplies special education, supervisory, administrative, fiscal and other needed services to area school districts in Trumbull County.

The Educational Service Center operates under a locally-elected five-member Governing Board form of government and provides educational services as mandated by State or federal agencies to fifteen local, three city, and two exempted village school districts. The Board controls the Educational Service Center's staff who provide services to 37,106 students and other community members in Trumbull County.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service Center. For the Trumbull Educational Service Center, this includes general operations and related activities of the Educational Service Center.

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

The Educational Service Center is associated with five jointly governed organizations. These organizations are the Northeast Ohio Management Information Network (NEOMIN), Northeast Ohio Instructional Media Center (NEOIMC), the North East Ohio Special Education Resource Center (NEO/SERRC), Region 12 Professional Development Center (RPDC), and the Trumbull Student Assistance Consortium (TSAC). The Educational Service Center is also associated with two public entity risk pools, the Trumbull County Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The general purpose financial statements of the Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Educational Service Center's accounting policies are described below.

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

A. Basis of Presentation-Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

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

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

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

Capital Project Funds Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

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

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

C. Budgetary Data

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

Estimated Resources After the start of the fiscal year, estimated resources are revised to include any unencumbered balances from the preceding fiscal year. The revised estimated resources represents the maximum amount that may be appropriated from each fund. Estimated resources may be further amended during the fiscal year as projected increases or decreases in revenue are identified by the Treasurer or additional grant programs are approved by the Board.

Appropriations The annual appropriation resolution is legally enacted by the Governing Board at the fund level. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation

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

measure to meet the ordinary expenses of the Educational Service Center. The appropriation resolution, by fund, must be within the estimated resources and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in budget approved by the State Board of Education. The treasurer maintains budgetary information at the object level and has the authority to allocate appropriations at the object level without a resolution by the Governing Board. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the fiscal year for all funds other than agency funds, consistent with statutory provisions. During the fiscal year, several appropriations were legally enacted; however, none of these amendments were significant.

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

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

D. Cash and Cash Equivalents

To improve cash management, cash received by the Educational Service Center is pooled. Monies for all funds are maintained in this pool except for the insurance consortium agency fund. Individual fund integrity is maintained through Educational Service Center records. Each funds' interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to interest in STAROhio and repurchase agreements.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$171,872, which includes \$113,408 assigned for other Educational Service Center funds.

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

The Educational Service Center has segregated bank accounts for the insurance consortium agency fund. These accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the Educational Service Center treasury.

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

E. Inventory

Inventories are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at June 30, 1999 was not significant, an amount was not reported on the combined balance sheet.

F. Fixed Assets and Depreciation

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

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 capitalized. Interest incurred during the construction of general fixed assets is also not capitalized. Assets in the general fixed assets account group are not depreciated.

G. Pass-Through Grants

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

H. Intergovernmental Revenues

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

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

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

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Training Ohio Parents for Success

Dwight D. Eisenhower

Regular Education Preschool

Preschool Disabilities

Entry Year Program

Professional Development Block Grant

Drug Free Schools

Educational Management Information System

Netscape

Capital Projects

SchoolNet

SchoolNet Telecommunity

SchoolNet Plus

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements,

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compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. In general, amounts paid more than sixty days after fiscal year end are considered not to have been paid with current available financial resources. Capital leases are reported as a liability of the general long-term obligations account group until due.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

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

M. Fund Balance Reserves

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

N. Estimates

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

O. Total Columns - Memorandum Only

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

Trumbull County Educational Service Center
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Note 3 - Restatement of Prior Years Fund Balances

For fiscal year 1999, the Educational Service Center's fund structure was re-evaluated. The investment trust fund was reclassified to an agency fund. This change caused the agency fund assets and liabilities to increase by \$2,638,995 from \$1,734,136 to \$4,373,131. This restatement eliminated the investment trust fund type.

Note 4 - Budgetary Basis of Accounting

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	\$111,622	\$62,053	(\$34,477)
Revenue Accruals	470,760	0	0
Expenditure Accruals	(6,682)	57,879	(140)
Encumbrances	(62,748)	(241,516)	0
Budget Basis	\$512,952	(\$121,584)	(\$34,617)

Trumbull County Educational Service Center
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Note 5 - Accountability

A. Fund Deficit

At June 30, 1999, the preschool disabilities special revenue fund had a fund balance of (\$11,584). The deficit arose from the recognition of accrued liabilities. The general fund is liable for any deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

B. Compliance

The following funds had appropriations in excess of estimated revenues:

Fund/Function	Carryover Balances Plus Estimated Revenues	Appropriations	Excess
Special Revenue Funds:			
Entry Year	\$108,506	\$158,506	(\$50,000)
Eisenhower Grant	143,103	223,677	(80,574)
Community Grant	202,874	252,874	(50,000)

Note 6 - Deposits and Investment

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Educational Service Center Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Educational Service Center has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptances and commercial paper notes for a 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; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand. At year end, the School District had \$250 in undeposited cash on hand which is included on the balance sheet as part of "equity in pooled cash and cash equivalents."

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

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Deposits At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$709,913, and the bank balance was \$1,148,786. Of the bank balance, \$116,894 was covered by federal depository insurance and \$1,031,892 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

Investments The Educational Service Center's investments are required to be categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
STAROhio		\$40,730	\$40,730
Repurchase Agreement	5,029,141	5,029,141	5,029,141
Totals	\$5,029,141	\$5,069,871	\$5,069,871

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$5,780,034	\$0
Investment which is part of the cash management pool:		
Change Fund	(250)	0
Repurchase Agreement	(5,029,141)	5,029,141
STAROhio	(40,730)	40,730
GASB Statement No. 3	\$709,913	\$5,069,871

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Note 7 - Receivables

Receivables at June 30, 1999, consisted of accounts and intergovernmental monies. All receivables are considered collectible in full because of the stable condition of State programs and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
General Fund	
Special Education Excess Cost	\$38,615
On-Site Training	23,627
HEAD START	23,120
Other	2,459
Total General Fund	87,821
Agency Fund	
Co-Op Transportation	69,466
CAFS	58,841
Total Agency Funds	128,307
<i>Total</i>	\$216,128

Note 8 - Fixed Assets

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

	Balance 7/1/98	Additions	Deletions	Balance 6/30/99
Furniture and Equipment	\$2,257,473	\$620,915	\$1,279	\$2,877,109
Vehicles	0	31,255	0	31,255
Total	\$2,257,473	\$652,170	\$1,279	\$2,908,364

The large increase in fixed assets values was due to a reappraisal, as well as the additions to fixed assets during fiscal year 1999. There was no significant construction in progress at June 30, 1999.

Note 9 - Risk Management

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the Educational Service Center contracted with Nationwide Insurance Company, Harcum-Hyre Insurance Agency, Inc. for fleet and general liability insurance, which has a \$2,000,000 per claim/\$5,000,000 annual aggregate limits of liability. Leased vehicles are covered by Nationwide Insurance Company and have no

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deductible for comprehensive and a \$1,000 deductible for collision. The vehicle liability insurance is on an occurrence basis with a \$1,000,000 combined single limit.

Professional liability is protected by the Nationwide Insurance Company with a \$5,000,000 annual aggregate/\$2,000,000 single occurrence limit and no deductible.

Property insurance is protected by CNA, Rossi Agency, Inc. with a deductible of \$250.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has not been a significant reduction in coverage from the prior fiscal year.

The Educational Service Center has contracted with the Trumbull County School Employee Insurance Benefits Consortium to provide employee medical/surgical and dental benefits. The Trumbull County Schools Employee Insurance Benefits Consortium is a shared risk pool comprised of sixteen Trumbull County school districts and the Educational Services Center. Rates are set through an annual calculation process. The Educational Service Center pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The Executive Committee has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The Educational Service Center pays medical/surgical premiums of \$511.43, \$470.66 or \$458.48 for family coverage and \$204.95, 211.69, or \$209.87 for single coverage per employee per month depending on the carrier they have chosen. Premiums for dental coverage are \$63.22 monthly for family coverage and \$20.19 monthly for single coverage. Premiums for life insurance are \$6.25 for \$50,000 coverage.

For fiscal year 1999, the Educational Service Center participated in the Ohio School Board Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its *grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as on experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provided administrative, cost control and actuarial services to the GRP.*

Note 10 - Defined Benefit Pension Plan

A. *State Teachers Retirement System*

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary

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information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$279,674, \$521,408, and \$574,448, respectively; 89.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$30,021 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Educational Service Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$142,404, \$164,929, and \$140,733, respectively; no contributions have been made for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$142,404 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, two members of the Governing Board have elected Social Security. The Educational Service Center's liability is 6.2 percent of wages paid.

Note 11 - Postemployment Benefits

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their

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dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the Educational Service Center, this amount equaled \$372,899 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, (the latest information available) net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$116,513.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, (the latest information available) were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, (the latest information available) SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Note 12 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Accumulated unused vacation time is paid upon termination of employment. Teachers do not earn vacation time. Administrators and supervisors with less than 260 day contracts also do not earn vacation. Administrators with 260 day contracts earn twenty days of vacation per year and classified employees earn

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ten to twenty days per year depending on years of service. All employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 150 days for classified employees; 330 days for certified employees and is unlimited for all administrators and supervisors.

Upon retirement, classified employees who have at least ten years service credit with SERS (the last five years with the Educational Service Center), are paid one-fourth of their total accumulated sick days up to a maximum of thirty-eight days. Certified employees, administrators and supervisors who have at least ten years service credit with the State (the last five years with the Educational Service Center), are paid one-fourth of their total accumulated sick days up to a maximum of fifty days.

B. Life Insurance

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to all employees through Medical Life Insurance Company.

Note 13 - Long-Term Obligations

Changes in long-term obligations of the Educational Service Center, during fiscal year 1999, were as follows:

	Outstanding 6/30/98	Additions	Deductions	Outstanding 6/30/99
Capital Leases	\$81,913	\$0	\$69,171	\$12,742
Pension Obligations	26,910	49,817	26,910	49,817
Compensated Absences	441,630	0	38,091	403,539
<i>Total General Long-Term Obligations</i>	<u>\$550,453</u>	<u>\$49,817</u>	<u>\$134,172</u>	<u>\$466,098</u>

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

Note 14 - Capitalized Leases - Lessee Disclosure

In prior years, the Educational Service Center entered into capitalized leases for the acquisition of copiers and vehicles. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the general purpose financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

Fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$158,122 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability for capital leases has been recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$69,171.

Trumbull County Educational Service Center
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The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999:

Fiscal Year Ending June 30,	Amounts
2000	\$13,081
Less: amount representing interest	(339)
Present value of minimum lease payments	\$12,742

Note 15 - Jointly Governed Organizations

North East Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. 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. Each of the districts supports NEOMIN based on a per pupil charge. The Educational Service Center contributed \$6,675 to NEOMIN during fiscal year 1999.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a principal and a treasurer (non-voting members who must be employed by a participating school district, for fiscal agent of NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center at 347 North Park Avenue, Warren, Ohio 44481.

North-East Ohio Instructional Media Center (NEOIMC) The North-East Ohio Instructional Media Center (NEOIMC) is a jointly governed organization among forty school districts. The jointly governed organization was formed for the purpose of providing quality films and/or other media to support the educational curricula of the member school districts. Each member pays a monthly premium based on use of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, one County Superintendent from each participating county, one City Superintendent and two local superintendents rotating every two years. The Trumbull County Superintendent holds a permanent position on the advisory committee. The degree of control exercised by any participating school district is limited to its representation on the Board. The Educational Service Center serves as fiscal agent of NEOIMC but does not hold a membership. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

North East Ohio Special Education Regional Resource Center (NEO/SERRC) NEO/SERRC is a special education service center which selects its own board, adopts its own budget and received direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

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NEO/SERRC is governed by a governing board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Educational Service Center, 2801 Market Street, Youngstown, Ohio, 44507.

Region 12 Professional Development Center (RPDC) The RPDC is a jointly governed organization among the school districts located in Trumbull, Mahoning and Columbiana Counties and Youngstown City. The jointly governed organization was formed for the purpose of establishing an articulated, regional structure for professional development, in which school districts, the business community, higher education and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The RPDC is governed by a governing board made up of nineteen representatives of the participating school district, the business community, and Youngstown State University whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Trumbull Student Assistance Consortium (TSAC) The TSAC, a jointly governed organization among sixteen school districts, was formed for the purpose of aiding each participating district in establishing an effective comprehensive alcohol, tobacco and other drugs prevention/intervention program that will help make schools drug free.

TSAC is governed by an executive management Council made up of five superintendents of the participating districts whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Council. The Educational Service Center serves as fiscal agent of TSAC. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio 44481.

Note 16 - Public Entity Risk Pools

A. Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan - The Educational Service Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), and insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Trumbull County Educational Service Center.
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B. Shared Risk Pool

Trumbull County Insurance Consortium The Educational Service Center participated and is the fiscal agent for the Trumbull County Insurance Consortium. This is a shared risk pool comprised of sixteen Trumbull County School Districts and the Trumbull County Educational Service Center. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. *The assembly exercises control over the operation of the Consortium. Consortium revenues are generated from charges for services.*

Note 17 - State Funding

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

Part (B) of the budget is funded in the following way: \$6.50 times the ADM (Total number of pupils under the Educational Service Center's supervision) is apportioned by the State Board of Education among the local school districts to which the Educational Service Center provides services from payments made under the State's foundation program. Simultaneously, \$36 times the sum of the ADM is paid by the State Board of Education from State funds to the Educational Service Center.

If additional funding is required and if a majority of the boards of education of the local school districts approve, the cost of Part (B) of the budget that is in excess of \$38.50 times the ADM approved by the State Board of Education is apportioned to the local school districts through reductions in their State foundation payments. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment. The local districts of Trumbull County have agreed to pay \$8.50, or an additional \$2.00 per pupil through reductions in their State Foundation for the services provided by the Educational Service Center.

Note 18 - School Foundation Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school founding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the Educational Service Center. During the fiscal year ended June 30, 1999, the Educational Service Center received \$9,308,001 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. Currently, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of

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

Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the Educational Service Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this programs and on its financial operations.

Note 19 - Contingencies

A. Grants

The Educational Service Center received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 1999.

B. Litigation

The Educational Service Center is not a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects.

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> <u>Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity's</u> <u>Number</u>	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
<i>Passed Through the Ohio Department of Education:</i>				
School to Work - Bureau of Employment Service Pass Through Grant	17.249	WK-BE 00	<u>\$12,555</u>	<u>\$59,143</u>
Total U.S. Department of Labor			12,555	59,143
<u>INSTITUTE OF MUSEUM AND LIBRARY SERVICES</u>				
<i>Passed Through the State Library of Ohio:</i>				
Library Services and Technology Act	45.310	II-28-E-1-98	<u>15,000</u>	<u>0</u>
Total Institute of Museum and Library Services			15,000	0
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through the Ohio Department of Education:</i>				
Special Education – Preschool Grants	84.173	PG-S1 98 P	75,543	75,543
Safe and Drug-Free Schools and Communities	84.186	DR-S1 98	0	44,965
		DR-S1 99	<u>120,741</u>	<u>59,585</u>
Total Drug Free Schools and Communities			120,741	104,550
Goals 2000 –State and Local Education Systemic Improvement Grants	84.276	G2-S3 99	50,000	18,512
		G2-S4 97C	0	503
		G2-S4 98	(10,719)	15,738
		G2-S5 99	<u>100,000</u>	<u>69,640</u>
Total Goals 2000			139,281	104,393
Eisenhower Professional Development State Grants	84.281	MS-S1 97C	(25,153)	4,575
		MS-S1 98C	40,000	60,196
		MS-S1 99	<u>34,532</u>	<u>8,537</u>
Total Eisenhower Grants			<u>49,379</u>	<u>73,308</u>
<i>Total Passed Through the Ohio Department of Education:</i>			384,944	357,794

SCHEDULE OF FEDERAL AWARDS EXPENDITURES (Continued)
JUNE 30, 1999

FEDERAL GRANTOR Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity's Number	<u>Receipts</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF EDUCATION</u> (Continued)				
<i>Direct</i>				
FCC E-Rate	84.XXX	XXXXXX	<u>13,813</u>	<u>13,813</u>
Total U.S. Department of Education			398,757	371,607
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Passed through the Ohio Department of Education and Governor's Community Service Council				
Learn and Serve America – School and Community Service	94.004	SV-S5 99	<u>(3,895)</u>	<u>11,105</u>
Total Corporation for National and Community Service			<u>(3,895)</u>	<u>11,105</u>
Total Federal Awards Expenditures			<u>\$422,417</u>	<u>\$441,855</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Educational Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B— SUBRECIPIENTS

The Educational Service Center passes-through certain Federal assistance received from the U.S. Department of Education, the U.S. Department of Labor, and the Corporation for National and Community Service to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Trumbull County Educational Service Center records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Educational Service Center is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

NOTE C -- MATCHING REQUIREMENTS

Certain Federal programs require that the Educational Service Center contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Educational Service Center has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Governing Board
Trumbull County Educational Service Center
347 North Park Avenue
Warren, Ohio 44481

To the Governing Board:

We have audited the financial statements of the Trumbull County Educational Service Center, Trumbull County, (the Educational Service Center) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 21, 2000, in which we indicated that the Educational Service Center changed the fund type classification for the investment trust fund. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-11178-001, 1999-11178-002, and 1999-11178-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Educational Service Center in a separate letter dated January 21, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Educational Service Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-11178-003 and 1999-11178-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated January 21, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over a circular stamp or seal.

Jim Petro
Auditor of State

January 21, 2000



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

Governing Board
Trumbull County Educational Service Center
347 North Park Avenue
Warren, Ohio 44481

To the Governing Board:

Compliance

We have audited the compliance of the Trumbull County Educational Service Center, Trumbull County, (the *Educational Service Center*) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The *Educational Service Center'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 *Educational Service Center's* management. Our responsibility is to express an opinion on the *Educational Service Center's* compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the *Educational Service Center's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *Educational Service Center's* compliance with those requirements.

In our opinion, the *Educational Service Center* 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, 1999. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the *Educational Service Center* in a separate letter dated January 21, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated January 21, 2000.

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



Jim Petro
Auditor of State
January 21, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Safe and Drug Free Grant #84.186 Eisenhower Grant #84.281 Special Education - Preschool #84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Findings for Recovery

Finding Number	1999-11178-001
-----------------------	-----------------------

For the period July 1, 1998 through June 30, 1999, the Auditor of State identified \$3,697.53 of expenditures which have resulted in the following findings for recovery. Of this amount, \$775 is attributed to Opt-Out Pay, \$1,000 for manual check #22611 that was never authorized by the Board, and \$1,922.53 for overcompensation for the period July 1, 1994 to December 31, 1998.

1. Opt Out Pay

On July 17, 1998, Deborah Messick was paid \$775.00 in OPT Out Pay. OPT Out Pay is an amount provided to an employee in lieu of them receiving health care benefits. This payment was for the period January 1, 1998 through June 30, 1998.

In August of 1998, Deborah Messick was provided an increase in compensation by the Board, which was retroactive to January 1, 1998. Included in this raise was \$7,000 that the Board has represented (see finding number 1999-11178-002) was provided to Ms. Messick in lieu of her accepting Board provided health care benefits.

As a result of the foregoing situation, Ms. Messick received payment in lieu of health care benefits for the period January 1, 1998 through June 30, 1998 both in July and August 1998.

2. Manual Check Written for \$1,000

A manual check dated April 7, 1998, was written by Deborah Messick to herself for \$1,000 (ck# 22611). Deborah Messick stated this check was an advance to herself for travel about to take place. This check was attached to a TTO-4 (Monthly Mileage Report) for the period covering March 23, 1998 through May 8, 1998. This check was not on the list of checks approved by the Board nor has this check been subsequently approved by the Board.

Board Policy does not provide the Treasurer with permission to make advance payments to anyone for travel. Under this policy, "Securing for Approval for Requests" section 4 "Expenses are paid by the employee who will then be reimbursed for those approved expenses". This provision clearly sets forth the Board's policy as one of reimbursement, and not a policy providing authority for advancements.

3. Contract Period Reviewed Based on Calendar Year Monies Earned

The following chart provides a calendar year recap of amounts authorized and amounts actually paid according to Employee Check History Reports during the specific year reviewed. This review began with Deborah Messick's initial hiring on July 1, 1994 and concluded on December 31, 1998, Ms. Messick's last day of service with the Educational Service Center as an employee.

Findings for Recovery (Continued)

Based on Calendar Year:	Contract Amount	Amount Paid	Under / (Over)
Underpaid during 1994	\$ 25,192.61	\$ 25,192.07	\$ 0.54
Underpaid during 1995	52,000.00	49,923.07	2,076.93
Underpaid during 1996	54,600.00	54,400.00	200.00
Pay equal during 1997	54,600.00	54,600.00	0.00
Overpayment during 1998	63,238.00	67,438.00	(4,200.00)
Total Payroll Over Paid	\$ 249,630.61	\$ 251,553.14	\$ (1,922.53)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Deborah Messick, former Educational Service Center Treasurer, and Nationwide Mutual Insurance Company, her bonding company, in the amount of \$3,697.53, jointly and severally, in favor of the Educational Service Center's General Fund.

Noncompliance Citations

Finding Number	1999-11178-002
-----------------------	-----------------------

Ohio Revised Code § 121.22 (H) provides that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body.

During the August 1998 meeting, the Board made the decision to increase the pay of the former Treasurer by \$7,000. The Board did not document this decision made in the executive session through its minutes during an open meeting. As the Board speaks only through its minutes, it needs to journalize its intentions in its minutes. The Board can only make a determination in executive session, however, the formal action needs to be voted on during an open meeting.

We recommend, when the Board reconvenes to an open meeting from executive session, it should adopt the decision made in executive session by a formal resolution with the votes of each member documented.

Failure to journalize the determinations made in executive session by voting on them in an open meeting, may provide for the decisions to be invalid.

The board was sent a letter on November 10, 1999, which posed the question: Was the \$7,000 payment in lieu of health benefits approved by the Board? On November 15, 1999, the Board replied, "The \$7,000 payment in lieu of health benefits was authorized by the Board and is reflected in the Treasurer's Contract salary amount of \$63,238." An unsigned contract documents the Treasurer's salary as \$63,238.

Noncompliance Citations/Reportable Condition

Finding Number	1999-11178-003
-----------------------	-----------------------

Ohio Revised Code §149.43 (B) provides that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, governmental units shall maintain public records in a manner that they can be made available for inspection in accordance with this division.

The Educational Service Center's Board requires the Superintendent and Treasurer to enter into a contract defining the terms of their employment. Of the contracts entered into between the Board and the former Treasurer, only one was signed and on file. Additionally, the minutes do not enumerate the total amount of the contract or other employee related fringe benefits provided by the Board to the Treasurer.

Beginning in August of 1999, we made requests for the former Treasurer's contracts for the period July 1, 1994 through December 31, 1998. There is still one contract for the period January 1, 1996 to December 31, 1996 that has not been produced. Another employment contract for the period January 1, 1997 through December 31, 1997 was not received until November 15, 1999.

The Board should review its policies and procedures pertaining to salary and salary related agreement documentation. Such policies and procedures should provide reasonable assurance that agreements are adequately documented and that such documentation is retained for an appropriate period of time. At a minimum all employment contracts should be approved in the minutes. Each non-bargaining unit employee contract should show the amount specifically authorized for yearly salary, any retroactive pay amount, and any other increase in pay by specific amount, as well as the adjusted total amount. The authorized and approved Bargaining Unit Contract(s) could be summed up by placing or attaching the salary schedule in the minutes. In addition, original copies of all such agreements should be filed and retained according to legal requirements.

Implementation of the recommendation will help provide control over salaries and will help prevent confusion regarding pay authorized by the Board.

Reportable Condition

Finding Number	1999-11178-004
-----------------------	-----------------------

Travel Policy - Lack of Documentation for Reimbursement of Travel Allowance

The Educational Service Center requires the use of form TTO-4 to document employee travel reimbursement requests. This form requires the employee's signature and documentation of travel date, mileage, and destination city. Employee reimbursement requests require supervisor approval prior to reimbursement. However, there is no independent review and approval of Treasurer and Superintendent reimbursement requests.

During calendar year 1998, the former Treasurer claimed travel reimbursement for 20,188 miles to various destinations. Educational Service Center records presented for audit do not provide documentation supporting the purpose of this travel nor could the exact travel locations be determined in order to evaluate the reasonableness of the mileage claimed.

Reportable Condition (Continued)

To enhance controls over employee travel reimbursements the Board should consider updating its policies and procedures to include the following:

- The Board should review and approve all travel reimbursement requests submitted by the Superintendent or Treasurer.
- The Board should enhance its Monthly Mileage Report to include:
 - Departure location (including a street address)
 - Departure date and time
 - Destination location (including a street address)
 - Arrival time
 - Actual mileage
 - The name of the individual, organization, or meeting (i.e., specific purpose of travel)

Lack of clear and precise travel policies could lead to instances of employees requesting travel reimbursements which may not be supported by adequate documentation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt
Clerk of the Bureau

Date: MAR 23 2000