

Mahoning and Columbiana Training Association

General-Purpose Financial Statements

For the Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P. O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Board of Directors
Mahoning and Columbiana Training Association
9 W. Front Street
Youngstown, Ohio 44503-1431

We have reviewed the Independent Auditor's Report of the Mahoning and Columbiana Training Association, Mahoning County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

This Page is Intentionally Left Blank.

MAHONING AND COLUMBIANA TRAINING ASSOCIATION
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2002

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Combined Balance Sheet - All Fund Type and Account Group	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types	4
Notes to the General Purpose Financial Statements	5-14
Schedule of Expenditures of Federal Awards	15-16
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17-18
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	19-20
Schedule of Findings and Questioned Costs	21
Schedule of Prior Audit Findings	22

This Page is Intentionally Left Blank.

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC.

E-mail: sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Mahoning and Columbiana Training
Association

I have audited the accompanying general-purpose financial statements of Mahoning and Columbiana Training Association, Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Mahoning and Columbiana Training Association, Ohio, management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Mahoning and Columbiana Training Association, Ohio, as of June 30, 2002, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 19, 2002, on my consideration of Mahoning and Columbiana Training Association, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

My Audit was performed for the purpose of forming an opinion on the general-purpose financial statements 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 Government 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 basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

December 19, 2002

Mahoning and Columbiana Training Association
 Combined Balance Sheet
 All Fund Type and Account Group
 June 30, 2002

	Governmental <u>Fund Type</u> Special Revenue	<u>Account Group</u> General Fixed Assets	Total (Memorandum Only)
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,683,584	\$ -0-	\$1,683,584
Prepaid Expenses	2,557	-0-	2,557
Fixed Assets - Net of Accumulated Depreciation	-0-	99,874	99,874
TOTAL ASSETS	\$1,686,141	\$99,874	\$1,786,015
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITES</u>			
Accounts Payable	\$193,592	\$ -0-	\$193,592
Accrued Wages and Benefits	65,631	-0-	65,631
Compensated Absences	172,580	-0-	172,580
Deferred Revenue	1,103,676	-0-	1,103,676
TOTAL LIABILITES	1,535,479	-0-	1,535,479
<u>FUND EQUITY</u>			
Investment in General Fixed Assets	-0-	99,874	99,874
Fund Balance:			
Unrestricted Fund Balance	150,662	-0-	150,662
TOTAL FUND EQUITY	150,662	99,874	250,536
TOTAL LIABILITIES AND FUND EQUITY	\$1,686,141	\$99,874	\$1,786,015

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

Mahoning and Columbiana Training Association
 Combined Statement of Revenue, Expenditures and Change in Fund Balance
 All Governmental Fund Types
 For the Year Ended June 30, 2002

	Special Revenue
<u>REVENUES</u>	
Intergovernmental Revenue	\$5,595,262
Stand In Revenue	14,617
TOTAL REVENUES	5,609,879
<u>EXPENDITURES</u>	
Human Services:	
Employment and Training Program	5,595,262
Stand In Costs:	
WIA Program	14,617
TOTAL EXPENDITURES	5,609,879
EXCESS REVENUE OVER (UNDER) EXPENDITURES	0
Fund Balance - Beginning of Year	150,662
FUND BALANCE - END OF YEAR	\$150,662

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

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 1: REPORTING ENTITY

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

The State of Ohio Department of Job and Family Services is the State Agency designated as the State Workforce Investment Board to oversee the state plan in implementing the WIA program. The Governor designated Mahoning County and Columbiana County as a single service delivery area to serve economically disadvantaged individuals and individuals facing barriers to employment. The chief elected officials of Mahoning and Columbiana Counties have established the Mahoning and Columbiana Training Association (MCTA) to develop and implement programs under the Workforce Investment Act. Any liabilities incurred by the programs are ultimately the responsibility of the county commissioners.

Mahoning and Columbiana Training Association is a Regional Council of Governments consisting of Mahoning and Columbiana Counties. These counties opted to go with the State of Ohio Option regarding Workforce Investment Act Program. The Ohio Option is a single large area consisting of 82 counties and as been designated as Workforce Development Area 7. MCTA is known as Ohio option area 7/24.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the financial statements of MCTA.

A. Basis of Presentation

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the MCTA is financially accountable. This report includes all activities considered by management to be part of the MCTA by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation (Continued)

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the MCTA over which the MCTA is financially accountable.

Fund Accounting

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

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

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

Governmental Funds:

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

Account Group:

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

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings and intergovernmental revenue. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by funding agency and may result in disallowance in subsequent periods.

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

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

C. Fixed Assets

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

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fixed Assets (Continued)

The MCTA capitalization policy is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Depreciation is computed using the straight-line method over the estimated useful life of the assets. This practice is a change from prior years where depreciation was computed over 10 years regardless of its useful life. Depreciation is only recorded in the General Fixed Assets Account Group.

D. Budgetary Process

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

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

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

- 1) The uncertain nature of grant awards from other entities
- 2) Conversion of grant budgets to a fiscal year basis

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

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

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

Although the annual budget for the Special Revenue funds is reviewed and approved by the Executive Board, it is not a legally adopted budget.

E. Total Column on Combined Financial Statements

Total columns on the combined statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Total Column on Combined Financial Statements (Continued)

comparable to a consolidation. Inter-fund elimination has not been made in the aggregation of this data.

NOTE 3: DEPOSITS AND INVESTMENTS

MCTA maintains a separate cash pool used by all subgrant funds. The total of all subgrants for each year is displayed on the balance sheet.

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

Cash in checking	\$ 1,538,575
Cash in savings	145,009
Total deposits	<u>\$ 1,683,584</u>

State statutes classify monies held by the MCTA into three categories.

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

Inactive deposits are public deposits 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 or deposit accounts including passbook accounts.

Protection of MCTA deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by MCTA or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance's of federal government agencies or instrumentality's;
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 (STAR Ohio).

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 MCTA, 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 Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – MCTA deposits are categorized to give an indication of the level of risk assumed by MCTA at fiscal year end. The categories are described as follows:

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

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

Category 3 – Uncollateralized or insured.

Deposits, categorized by level of risk, are:

Mahoning and Columbiana Training Association
 NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2002

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$1,875,973	\$1,875,973	\$-0-	\$-0-	\$1,683,584
Total Deposits	\$1,875,973	\$1,875,973	\$-0-	\$-0-	\$1,683,584

At fiscal year end, the carrying amount of the MCTA deposits was \$1,683,584 and the bank balance was \$1,875,973. Of the bank balance, \$100,000 was covered by the federal deposit insurance and the remaining balance of \$1,775,973 was covered by pooled security pledged as collateral for the total public deposits.

Investments – MCTA had no investments as of June 30, 2002.

NOTE 4: DEFERRED REVENUE

Deferred revenue of \$1,103,676 represents revenue received from the counties, but not earned in the current period.

NOTE 5: FIXED ASSETS

General Fixed Assets Account Group - A summary of the changes in general fixed assets during the year ended June 30, 2002, follows:

	Balance 6/30/01	Additions	Deletions	Balance 6/30/02
Equipment, furniture, and fixtures	\$ 123,029	\$ 78,988	\$ -0-	\$ 202,017
Accumulated Depreciation	(75,603)	(26,540)	-0-	(102,143)
Total	\$ 47,426	\$ 52,448	\$ -0-	\$ 99,874

NOTE 6: DEFINED BENEFIT PENSION PLAN

All full-time employees of MCTA participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory MCTA to establish and amend benefits. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for MCTA was 6.54 percent, reduced from 9.35 percent in 1999. Contributions are authorized by state statute. The contribution rates are determined actuarially. The MCTA required contributions to PERS for the years ended June 30, 2002, 2001, and 2000 were \$164,154, \$127,442, and \$95,410, respectively. 91 percent has been contributed for 2002. All required contributions for the two previous years have been paid.

NOTE 7: POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board, provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on MCTA granted by state statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

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

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

The number of active contributing participants was 401,339. The Agency actual contributions for 2000-2001, which were used to fund OPEB, were \$50,882. The actual contribution and the required contribution amount are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosure had been based on a pay-as-you-go funding basis.

Mahoning and Columbiana Training Association
 NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
 For the Year Ended June 30, 2002

NOTE 8: COMPENSATED ABSENCES

All full-time employees of MCTA earn vacation and sick leave at varying rates depending on length of service. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with MCTA. The following schedule details earned vacation leave based on length of service:

<u>Years of Employment</u>	<u>Vacation Leave</u>
1 – 7 years	80 hours
8 – 14 years	120 hours
15 – 24 years	160 hours
25+ years	200 hours

The employee shall take vacation leave during the year in which it accrued and prior to the next recurrence of the anniversary date of employment. No vacation leave shall be carried over for more than three years.

Full-time employees earn 4.62 hours per of sick leave per each completed 80 hours of service. There are no limits set on the amount of sick leave hours that can be accumulated. All full-time employees are paid for unused sick hours upon termination of employment according to the following:

<u>Years of Employment</u>	<u>Amount Paid</u>	<u>Maximum Payable</u>
Less than 5 years	None	None
5 – 7 years	50%	30 days
8+ years	50%	180 days

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

As of June 30, 2002, the liability for unpaid, compensated absences was \$172,580 for MCTA. Of this total, \$64,421 represented vacation time and \$108,159 represented sick time.

Mahoning and Columbiana Training Association
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

NOTE 9: QUESTIONED OR DISALLOWED COSTS

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

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

NOTE 10: INSURANCE AND RISK MANAGEMENT

MCTA 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 2002, MCTA contracted with several companies for various types of insurance as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Deductible</u>
Cincinnati Insurance Company	General Liability	\$ 250.00
Cincinnati Insurance Company	Blanket Employee Bond	\$ 0.00

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

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

NOTE 11: Operating Leases

MCTA has entered into two operating leases for office space, which contain cancellation provisions and are subject to annual appropriations. Rental expense under both operating lease agreements was approximately \$71,934 in the year ended June 30, 2002.

NOTE 12: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the MCTA federal awards programs. The schedule has been prepared on the accrual basis of accounting.

Mahoning and Columbiana Training Association
Schedule of Expenditure of Federal Award
For the Year ended June 30, 2002

Federal Grantor/ Pass Through Grantor	CFDA Number	Expenditure
U.S. Department of Labor: Pass-Through Program From:		
Mahoning County Department of Job and Family Services		
Workforce Investment Act (Cluster)		
WIA Administration	N/A	224,200
WIA Adult	17.258	1,099,476
WIA Youth	17.259	907,270
WIA Dislocated Worker	17.260	617,324
One-Stop Implementation	N/A	45,679
QuickLink	N/A	390
Total Mahoning County Department of Job and Family Services		<u>2,894,339</u>
Columbiana County Department of Job and Family Services		
Workforce Investment Act		
WIA Administration	N/A	99,114
WIA Adult	17.258	413,026
WIA Youth	17.259	288,711
WIA Dislocated Worker	17.260	226,952
One-Stop Implementation	N/A	30,027
Total Columbiana County Department of Job and Family Services		<u>1,057,830</u>
Total WIA Cluster		<u>3,952,169</u>
Mahoning County Chemical Dependency Programs, Inc. Welfare to Work	17.253	<u>617,784</u>
Total Mahoning County Chemical Dependency Programs, Inc.		<u>617,784</u>
Total CFDA No. 17.253		<u>617,784</u>
Total US Department of Labor		<u>\$4,569,953</u>

Mahoning and Columbiana Training Association
Schedule of Expenditure of Federal Award
For the Year ended June 30, 2002

Federal Grantor/ Pass Through Grantor	CFDA Number	Expenditure
U.S. Department of Health and Human Services: Pass-Through Program From:		
Mahoning County Department of Job and Family Services TANF	93.558	<u>\$586,664</u>
Total Mahoning County Department of Job and Family Services		<u>586,664</u>
Columbiana County Department of Job and Family Services TANF	93.558	<u>438,645</u>
Total Columbiana County Department of Job and Family Services		<u>438,645</u>
Total U.S. Department of Health and Human Services		<u>1,025,309</u>
Total Expenditure of Federal Award		<u>\$5,595,262</u>

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC.

E-mail: sconsiglio@aol.com

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

Board of Directors
Mahoning and Columbiana Training
Association

I have audited the general-purpose financial statements of the Mahoning and Columbiana Training Association, Ohio, as of and for the year ended June 30, 2002, and have issued my report thereon dated December 19, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Mahoning and Columbiana Training Association, Ohio's general-purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of MCTA in a separate letter dated December 19, 2002.

Internal Control Over Financial Reporting

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

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Salvatore Consiglio, CPA, Inc.

December 19, 2002

8025 Corporate Circle, Suite 4
North Royalton, Ohio 44133
Phone: (440) 886-0482
Fax: (440) 886-0585

SALVATORE CONSIGLIO, CPA, INC.

E-mail: sconsiglio@aol.com

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

Board of Directors
Mahoning and Columbiana Training
Association

Compliance

I have audited the compliance of the Mahoning and Columbiana Training Association, Ohio, 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, 2002. Mahoning and Columbiana Training Association, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mahoning and Columbiana Training Association, Ohio's management. My responsibility is to express an opinion on Mahoning and Columbiana Training Association, Ohio's compliance based on my audit.

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

In my opinion, Mahoning and Columbiana Training Association, Ohio, 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, 2002.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

Internal Control Over Compliance

The management of Mahoning and Columbiana Training Association, Ohio 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 my audit, I considered Mahoning and Columbiana Training Association, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the Internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



Salvatore Consiglio, CPA, Inc.

December 19, 2002

Mahoning and Columbiana Training Association

Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505

June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #17.258, 17.259, 17.260 WIA Cluster, 17.253 WTW and 93.558 TANF
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs for the year ended June 30, 2002.

3. FINDINGS REALTED TO FEDERAL AWARDS

There are no Findings or questioned costs for the year ended June 30, 2002.

Mahoning and Columbiana Training Association
Schedule of Prior Audit Findings
For the Year Ended June 30, 2002

The audit report for the fiscal year ended June 30, 2001 contained no audit findings.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MAHONING AND COLUMBIANA TRAINING ASSOCIATION

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**