

**TRUMBULL COUNTY
EDUCATIONAL SERVICE CENTER**

TRUMBULL COUNTY, OHIO

**BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

LORI SIMIONE, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Trumbull County Educational Service Center, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. 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 Trumbull County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

February 1, 2006

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TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Trumbull County Educational Service Center, Trumbull County (the "ESC") as of and for the fiscal year ended June 30, 2005, which collectively comprise the ESC's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the ESC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Trumbull County Educational Service Center, Trumbull County, Ohio, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2005, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Julian & Grube, Inc.
December 7, 2005

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The management's discussion and analysis of the Trumbull County Educational Service Center's (the "ESC") financial performance provides an overall review of the ESC's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the ESC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the ESC's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$493,902 which represents a 10.09% increase from 2004.
- General revenues accounted for \$1,329,435 in revenue or 8.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$14,225,008 or 91.45% of total revenues of \$15,554,443.
- The ESC had \$15,060,541 in expenses related to governmental activities; only \$14,225,008 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (unrestricted grants and entitlements) of \$1,329,435 were adequate to provide for these programs.
- The ESC's only major governmental fund is the general fund. The general fund had \$14,597,396 in revenues and \$13,842,756 in expenditures. During fiscal year 2005, the general fund's fund balance increased \$754,640 from \$2,089,380 to \$2,844,020.

Using the Basic Financial Statements

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

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

Reporting the ESC as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the ESC to provide programs and activities, the view of the ESC as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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These two statements report the ESC's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the ESC as a whole, the *financial position* of the ESC has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the reductions in state funding, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the ESC's programs and services, including instruction, support services, operation and maintenance, pupil transportation, and interest and fiscal charges.

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

Reporting the ESC's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the ESC's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* account, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the ESC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 14-18 of this report.

Reporting the ESC's Fiduciary Responsibilities

The ESC is the fiscal agent of the area A-site, NEOMIN. This activity is presented as an agency fund. All of the ESC's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 19. These activities are excluded from the ESC's other financial statements because the assets cannot be utilized by the ESC to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 20-41 of this report.

The ESC as a Whole

Recall that the Statement of Net Assets provides the perspective of the ESC as a whole. A comparative analysis of governmental activities assets, liabilities, and net assets is provided.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The table below provides a summary of the ESC's net assets for 2005 and 2004.

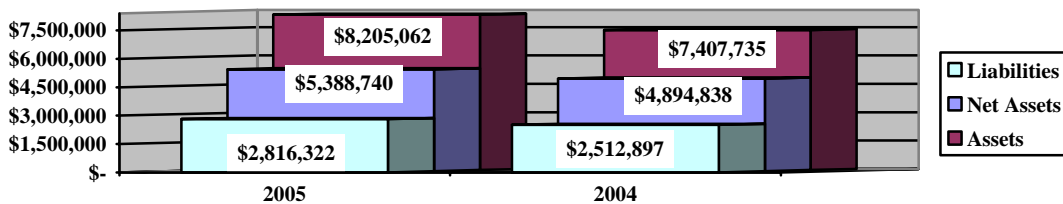
	Activities <u>2005</u>	Activities <u>2004</u>
<u>Assets</u>		
Current and other assets	\$ 6,688,463	\$ 5,602,875
Capital assets, net	<u>1,516,599</u>	<u>1,804,860</u>
Total assets	<u>8,205,062</u>	<u>7,407,735</u>
<u>Liabilities</u>		
Current liabilities	2,433,713	2,190,159
Long-term liabilities	<u>382,609</u>	<u>322,738</u>
Total liabilities	<u>2,816,322</u>	<u>2,512,897</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,498,626	1,779,920
Restricted	553,679	376,420
Unrestricted	<u>3,336,435</u>	<u>2,738,498</u>
Total net assets	<u>\$ 5,388,740</u>	<u>\$ 4,894,838</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the ESC's assets exceeded liabilities by \$5,388,740.

At fiscal year-end, capital assets represented 18.48% of total assets. Capital assets include furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,498,626. These capital assets are used to provide services to the students and are not available for future spending. Although the ESC's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the ESC's net assets, \$553,679, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,336,435 may be used to meet the ESC's ongoing obligations to the students and creditors. The graph below illustrates the ESC's governmental activities assets, liabilities and net assets for 2005 and 2004.

Governmental Activities



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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The table below shows the change in net assets for fiscal years 2005 and 2004.

	Change in Net Assets	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 11,499,197	\$ 11,563,003
Operating grants and contributions	2,626,292	2,502,853
Capital grants and contributions	99,519	17,524
General revenues:		
Grants and entitlements	1,113,835	1,297,196
Investment earnings	178,963	110,946
Miscellaneous	<u>36,637</u>	<u>140,856</u>
Total revenues	<u>15,554,443</u>	<u>15,632,378</u>
Regular	\$ 922,841	\$ 837,036
Special	5,124,419	4,865,168
Support services:		
Pupil	3,461,760	3,393,104
Instructional staff	1,879,522	3,807,428
Board of education	84,909	83,872
Administration	2,882,400	1,470,967
Fiscal	284,083	256,245
Business	39,327	93,053
Operations and maintenance	75,164	55,217
Pupil transportation	31,407	34,116
Central	267,358	353,829
Operations of non-instructional services:		
Non-instructional services	5,527	902
Interest and fiscal charges	<u>1,824</u>	<u>2,381</u>
Total expenses	<u>15,060,541</u>	<u>15,253,318</u>
Change in net assets	493,902	379,060
Net assets at beginning of year	<u>4,894,838</u>	<u>4,515,778</u>
Net assets at end of year	<u>\$ 5,388,740</u>	<u>\$ 4,894,838</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Governmental Activities

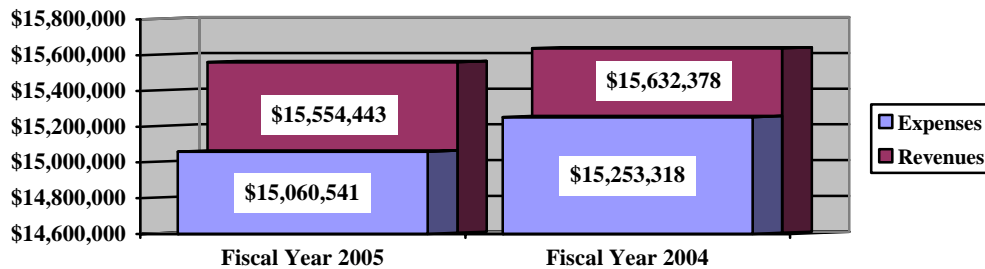
Net assets of the ESC's governmental activities increased \$493,902. Total governmental expenses of \$15,060,541 were offset by program revenues of \$14,225,008 and general revenues of \$1,329,435. Program revenues supported 94.45% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from charges for services, operating grants and contributions and entitlements. These three revenue sources represent 91.45% of total governmental revenue.

The ESC's financial condition has improved significantly in recent years, primarily due to new programs and an increase in requests for services from the districts. State support has decreased over the last two years. Future increases in funding will come from entrepreneurial programs offered by the ESC in response to the needs of the member districts.

The graph below presents the ESC's governmental activities revenue and expenses for fiscal years 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

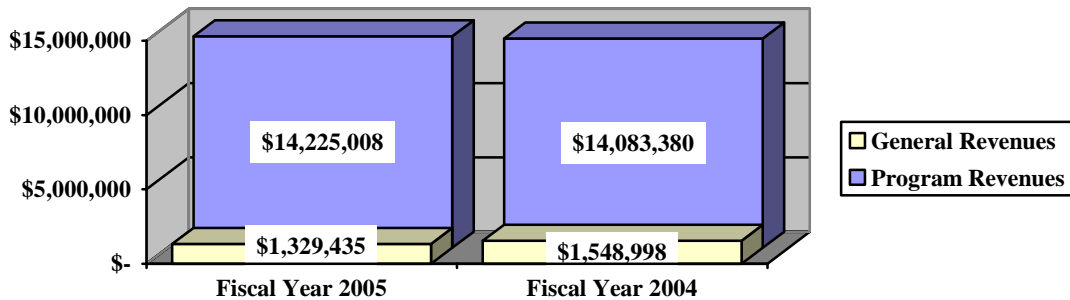
Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 922,841	\$ 384,538	\$ 837,036	\$ 364,242
Special	5,124,419	(554,917)	4,865,168	(350,216)
Support services:				
Pupil	3,461,760	490,031	3,393,104	586,878
Instructional staff	1,879,522	(299,408)	3,807,428	242,439
Board of education	84,909	38,309	83,872	35,522
Administration	2,882,400	425,977	1,470,967	(99,315)
Fiscal	284,083	284,083	256,245	256,245
Business	39,327	39,327	93,053	93,053
Operations and maintenance	75,164	75,164	55,217	55,217
Pupil transportation	31,407	31,407	34,116	34,116
Central	267,358	(83,480)	353,829	(49,006)
Operations of non-instructional services:				
Non-instructional services	5,527	2,678	902	(1,618)
Interest and fiscal charges	<u>1,824</u>	<u>1,824</u>	<u>2,381</u>	<u>2,381</u>
Total expenses	<u>\$ 15,060,541</u>	<u>\$ 835,533</u>	<u>\$ 15,253,318</u>	<u>\$ 1,169,938</u>

For all governmental activities, general revenue support is 5.55%. The primary support of the ESC is programs in charge for services revenue from District's which the ESC provides services.

The graph below presents the ESC's governmental activities revenue for fiscal years 2005 and 2004.

Governmental Activities - General and Program Revenues



**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The ESC's Funds

The ESC's governmental funds (as presented on the balance sheet on page 14) reported a combined fund balance of \$3,385,954, which is higher than last year's total of \$2,474,878 (as restated see Note 3.A). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	<u>Increase</u>
General	\$ 2,844,020	\$ 2,089,380	\$ 754,640
Other Governmental	<u>541,934</u>	<u>385,498</u>	<u>156,436</u>
Total	<u>\$ 3,385,954</u>	<u>\$ 2,474,878</u>	<u>\$ 911,076</u>

General Fund

The ESC's general fund balance increased by \$754,640. The increase in fund balance can be attributed to an increase in tuition charged to Districts and a decrease in overall expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund for fiscal years 2005 and 2004. Certain 2004 balances have been restated as described in Note 3.A of the notes to the financial statements.

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Tuition	\$ 817,728	\$ 179,005	356.82 %
Earnings on investments	178,963	110,946	61.31 %
Contract services	10,752,317	11,665,457	(7.83) %
Extracurricular	-	2,614	(100.00) %
Intergovernmental	2,751,970	2,783,724	(1.14) %
Other revenues	<u>96,418</u>	<u>204,229</u>	(52.79) %
Total	<u>\$ 14,597,396</u>	<u>\$ 14,945,975</u>	(2.33) %
<u>Expenditures</u>			
Instruction	\$ 5,256,640	\$ 5,276,668	(0.38) %
Support services	8,559,865	8,644,074	(0.97) %
Operation of non-instructional services	5,527	902	512.75 %
Facilities acquisition and construction	11,933	11,033	8.16 %
Debt service	<u>8,791</u>	<u>8,791</u>	- %
Total	<u>\$ 13,842,756</u>	<u>\$ 13,941,468</u>	(0.71) %

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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General Fund Budgeting Highlights

The ESC's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2005, the general fund original budgeted revenues of \$14,788,868 were increased to \$15,843,857 for final revenues. Actual revenues for fiscal year 2005 were \$15,970,259. This represents a \$126,402 increase over final budgeted revenues. This increase is primarily due to conservative contract services estimates in the original and final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,170,730 were increased to \$16,675,893 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$14,683,750, which was \$1,992,143 less than the final budget appropriations. The increases in appropriations were caused by the ESC's addition of new programs in fiscal year 2005 and the continued growth of the ESC Alternative School, Trumbull Academy. The ESC was able to add to its fund balance due to the fact that medical insurance costs were lower than anticipated in the original budget and additional fees were realized due to new programs and additional services to member school districts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the ESC had \$1,498,626 invested in furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Furniture and equipment	\$ 1,512,180	\$ 1,798,136
Vehicles	4,419	6,724
Total	\$ 1,516,599	\$ 1,804,860

The primary decrease occurred in furniture and equipment, which was due to current year depreciation of \$327,282 being greater than additions of \$41,326. Total additions to capital assets for 2005 were \$41,326. The overall decrease in capital assets of \$288,261 is primarily due to the recording of \$329,587 in depreciation expense for fiscal year 2005.

See Note 6 to the basic financial statements for additional information on the ESC's capital assets.

Debt Administration

At June 30, 2005, the ESC had \$17,973 in a capital lease obligation outstanding. Of this total, \$7,573 is due within one year and \$10,400 is due within greater than one year. The following table summarizes the capital lease obligation outstanding.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Long-Term Obligations

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Capital lease obligation	\$ 17,973	\$ 24,940
Total	<u>\$ 17,973</u>	<u>\$ 24,940</u>

See Note 7 and 8 to the basic financial statements for additional information on the ESC's capital lease and debt administration.

Current Financial Related Activities

Overall, the ESC is strong financially. As the preceding information shows, the ESC relies heavily on contracts with local, city, and exempted village school districts in Trumbull County, state foundation revenue, and grants. Contracts with Trumbull County districts are expected to increase in fiscal year 2006 due to additional service requests from districts. New contracts, along with the ESC's cash balance will provide the ESC with the necessary funds to meet its operating expenses in fiscal year 2006. However, the future financial stability of the ESC is not without challenges.

The first challenge is the legislation regarding Ohio's Regional Education Delivery System and the implementation of that system by the Ohio Department of Education. This system will directly affect the ESC's and the method used to fund the ESC's.

Additionally, there is uncertainty regarding the ESC's administrative office space. Under state law, the Trumbull County Commissioners are no longer required to provide rent-free space to the ESC. Depending on further negotiations, there may be a need to acquire new space or to pay rent for our current space.

The next challenge facing the ESC is the decline in enrollment in Trumbull County over the past several years and the projected decline in the future. The ESC receives funding based on the ADM of Trumbull County school districts, so the continued decline will directly impact state funding.

The last challenge facing the ESC is the need for more services to Trumbull County school districts with declining state support. Trumbull County ESC constantly strives to provide more services in the most cost efficient manner.

The ESC's systems of budgeting and internal controls are well regarded. All of the ESC's financial abilities will be needed to meet the financial challenges of the future.

Contacting the ESC's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the ESC's finances and to show the ESC's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Lori Simione, Treasurer, Trumbull County ESC, 347 N. Park Avenue, Warren, Ohio 44481-1134.

**BASIC
FINANCIAL STATEMENTS**

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,613,823
Receivables:	
Accounts	84
Intergovernmental	1,039,715
Prepayments	34,841
Capital assets, net.	1,516,599
 Total assets.	 8,205,062
Liabilities:	
Accounts payable.	6,402
Accrued wages and benefits	1,407,550
Pension obligation payable.	223,317
Intergovernmental payable	796,444
Long-term liabilities:	
Due within one year	73,092
Due in more than one year	309,517
 Total liabilities	 2,816,322
Net Assets:	
Invested in capital assets, net of related debt.	1,498,626
Restricted for:	
Capital projects	89,516
Locally funded programs.	20,378
State funded programs.	23,210
Federally funded programs	420,575
Unrestricted	3,336,435
 Total net assets	 \$ 5,388,740

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 922,841	\$ 229,803	\$ 308,500	\$ -	\$ (384,538)
Special	5,124,419	3,815,269	1,864,067	-	554,917
Support services:					
Pupil	3,461,760	2,935,913	35,816	-	(490,031)
Instructional staff	1,879,522	2,058,940	20,471	99,519	299,408
Board of education	84,909	-	46,600	-	(38,309)
Administration	2,882,400	2,456,423	-	-	(425,977)
Fiscal	284,083	-	-	-	(284,083)
Business	39,327	-	-	-	(39,327)
Operations and maintenance	75,164	-	-	-	(75,164)
Pupil transportation	31,407	-	-	-	(31,407)
Central	267,358	-	350,838	-	83,480
Operation of non-instructional services.	5,527	2,849	-	-	(2,678)
Interest and fiscal charges	1,824	-	-	-	(1,824)
Totals	<u>\$ 15,060,541</u>	<u>\$ 11,499,197</u>	<u>\$ 2,626,292</u>	<u>\$ 99,519</u>	<u>(835,533)</u>
General Revenues:					
					1,113,835
					178,963
					36,637
					1,329,435
					493,902
					4,894,838
					\$ 5,388,740

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 5,070,383	\$ 543,440	\$ 5,613,823
Receivables:			
Accounts	84	-	84
Intergovernmental	1,009,100	30,615	1,039,715
Due from other funds	20,118	-	20,118
Prepayments	34,841	-	34,841
Total assets	<u>\$ 6,134,526</u>	<u>\$ 574,055</u>	<u>\$ 6,708,581</u>
Liabilities:			
Accounts payable	\$ 6,277	\$ 125	\$ 6,402
Accrued wages and benefits	1,403,784	3,766	1,407,550
Compensated absences payable	1,806	-	1,806
Pension obligation payable	217,539	5,778	223,317
Intergovernmental payable	794,110	2,334	796,444
Due to other funds	-	20,118	20,118
Deferred revenue	866,990	-	866,990
Total liabilities	<u>3,290,506</u>	<u>32,121</u>	<u>3,322,627</u>
Fund Balances:			
Reserved for encumbrances	20,835	79,021	99,856
Reserved for prepayments	34,841	-	34,841
Unreserved, undesignated, reported in:			
General fund	2,788,344	-	2,788,344
Special revenue funds	-	432,300	432,300
Capital projects funds	-	30,613	30,613
Total fund balances	<u>2,844,020</u>	<u>541,934</u>	<u>3,385,954</u>
Total liabilities and fund balances	<u>\$ 6,134,526</u>	<u>\$ 574,055</u>	<u>\$ 6,708,581</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances		\$ 3,385,954
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,516,599
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Contract Services		866,990
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(362,830)	
Capital lease obligation	(17,973)	
Total		<u>(380,803)</u>
Net assets of governmental activities		<u>\$ 5,388,740</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Tuition.	\$ 817,728	\$ -	\$ 817,728
Earnings on investments.	178,963	-	178,963
Contract services	10,752,317	-	10,752,317
Other local revenues.	96,418	27,226	123,644
Intergovernmental - state	2,272,547	392,877	2,665,424
Intergovernmental - federal	479,423	607,792	1,087,215
Total revenues.	<u>14,597,396</u>	<u>1,027,895</u>	<u>15,625,291</u>
Expenditures:			
Current:			
Instruction:			
Regular	360,011	322,144	682,155
Special.	4,896,629	210,562	5,107,191
Support Services:			
Pupil.	3,387,804	26,186	3,413,990
Instructional staff	1,850,409	43,762	1,894,171
Board of education	84,909	-	84,909
Administration.	2,821,813	1,447	2,823,260
Fiscal	282,255	-	282,255
Business	38,175	-	38,175
Operations and maintenance.	63,093	-	63,093
Pupil transportation	31,407	-	31,407
Central.	-	267,358	267,358
Operation of non-instructional services.	5,527	-	5,527
Facilities acquisition and construction	11,933	-	11,933
Debt service:			
Principal retirement	6,967	-	6,967
Interest and fiscal charges	1,824	-	1,824
Total expenditures	<u>13,842,756</u>	<u>871,459</u>	<u>14,714,215</u>
Net change in fund balances.	754,640	156,436	911,076
Fund balances at beginning of year (restated)	<u>2,089,380</u>	<u>385,498</u>	<u>2,474,878</u>
Fund balances at end of year.	<u>\$ 2,844,020</u>	<u>\$ 541,934</u>	<u>\$ 3,385,954</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ 911,076

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

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

Capital asset additions	\$ 41,326	
Current year depreciation	<u>(329,587)</u>	
 Total		 (288,261)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(70,848)
--	--	----------

Principal payments on capital lease obligations are expenditures in the governmental funds, but the principal payments reduce long-term liabilities on the statement net assets.		6,967
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Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.		<u>(65,032)</u>
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Change in net assets of governmental activities \$ 493,902

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Tuition.	\$ 773,258	\$ 828,420	\$ 817,729	\$ (10,691)
Earnings on investments.	98,008	105,000	172,063	67,063
Extracurricular.	2,334	2,500	-	(2,500)
Contract services.	11,175,582	11,972,811	11,972,811	-
Other local revenues.	96,616	103,508	97,366	(6,142)
Intergovernmental - state	2,121,225	2,272,546	2,272,546	-
Intergovernmental - federal	521,845	559,072	637,744	78,672
Total revenues	<u>14,788,868</u>	<u>15,843,857</u>	<u>15,970,259</u>	<u>126,402</u>
Expenditures:				
Current:				
Instruction:				
Regular	421,269	435,128	345,647	89,481
Special	5,302,818	5,477,266	4,908,334	568,932
Support Services:				
Pupil	3,684,669	3,805,885	3,388,191	417,694
Instructional staff.	2,215,773	2,288,666	2,023,446	265,220
Board of education.	112,112	115,800	88,260	27,540
Administration.	2,973,881	3,071,714	2,667,098	404,616
Fiscal.	372,155	384,398	279,805	104,593
Business	123,404	127,464	53,459	74,005
Operations and maintenance	79,106	81,708	63,462	18,246
Pupil transportation	46,311	47,834	31,407	16,427
Central	1,936	2,000	-	2,000
Operation of non-instructional services	9,226	9,530	8,857	673
Facilities acquisition and construction.	13,070	13,500	11,933	1,567
Total expenditures	<u>15,355,730</u>	<u>15,860,893</u>	<u>13,869,899</u>	<u>1,990,994</u>
Excess of revenues over (under) expenditures	<u>(566,862)</u>	<u>(17,036)</u>	<u>2,100,360</u>	<u>2,117,396</u>
Other financing uses:				
Transfers (out)	(815,000)	(815,000)	(813,851)	1,149
Total other financing uses	<u>(815,000)</u>	<u>(815,000)</u>	<u>(813,851)</u>	<u>1,149</u>
Net change in fund balance.	(1,381,862)	(832,036)	1,286,509	2,118,545
Fund balance at beginning of year	3,761,511	3,761,511	3,761,511	-
Prior year encumbrances appropriated	9,752	9,752	9,752	-
Fund balance at end of year	<u>\$ 2,389,401</u>	<u>\$ 2,939,227</u>	<u>\$ 5,057,772</u>	<u>\$ 2,118,545</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2005

		<u>Agency</u>
Assets:		
Equity in pooled cash		
and cash equivalents.	\$	2,998,242
Cash in segregated accounts		7,167,063
Receivables:		
Due from other governments		75,534
		<hr/>
Total assets.	\$	<u><u>10,240,839</u></u>
Liabilities:		
Due to others.	\$	3,045,003
Intergovernmental payable		7,195,836
		<hr/>
Total liabilities	\$	<u><u>10,240,839</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER

The Trumbull County Educational Service Center (the "ESC") is the successor to the former Trumbull County Board of Education. County boards of education were formed in Ohio as a result of the passage of Senate Bill 9, in 1914. In 1995, Am. Sub. H.B. 117 authorized the creation of Educational Service Centers and abolished county school districts. That legislation also changed the "Board of Education" to the "Governing Board".

The ESC operates under a locally-elected five-member Governing Board and provides education services as mandated by state or federal agencies to fifteen local, three city, and two exempted village school districts in Trumbull County. The Board controls the ESC's staff, which provides services to 35,140 students and other community members in Trumbull County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the ESC are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the ESC. For the ESC, this includes general operations, preschool and student related activities of the ESC.

Component units are legally separate organizations for which the ESC is financially accountable. The ESC is financially accountable for an organization if the ESC appoints a voting majority of the organizations' government board and (1) the ESC is able to significantly influence the programs or services performed or provided by the organization; or (2) the ESC is legally entitled to or can otherwise access the organization's resources; or (3) the ESC is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the ESC is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the ESC in that the ESC approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the ESC has no component units. The basic financial statements of the reporting entity include only those of the ESC (the primary government). The following organizations are described due to their relationship to the ESC:

JOINTLY GOVERNED ORGANIZATIONS

North East Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among twenty-eight school districts and two educational service centers. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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, or fiscal agent of NEOMIN). The degree of control exercised by any participating school district is limited to its representation on the Governing Board. The ESC serves as fiscal agent for NEOMIN. Financial activity for fiscal year 2005 is reported in the basic financial statements as an agency fund.

North East Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. NEOIMC 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 whose term rotates 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 Governing Board. The ESC serves as fiscal agent of NEOIMC but does not hold membership. Financial activity for fiscal year 2005 is reported in the basic financial statements as an agency fund.

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 receives 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.

NEO/SERRC is governed by a governing board of 39 members, comprised of the 35 superintendents of the participating districts, one non-public school representative, one county board of mental retardation representative, and two parents whose term rotates every year. Financial information is available from the Mahoning County Educational Service Center (fiscal agent), 2801 Market Street, Youngstown, Ohio 44507.

Trumbull Student Assistance Consortium (TSAC)

The TSAC, a jointly governed organization among 16 school districts, was formed for the purpose of aiding each participating school 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. Members' terms rotate annually. The degree of control exercised by any participating school district is limited to its representation on the Council. The ESC serves as fiscal agent of the TSAC. Financial activity for fiscal year 2005 is reported in the basic financial statements as an agency fund.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The ESC participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school ESCs pays an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

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

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Contractual services provided by the ESC during the fiscal year for which payment is not received in the available period. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgets

An Educational Service Center is required by state statute, 3317.11 ORC, to submit an annual budget of operating expenses to the State Governing Board for approval.

The ESC legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the ESC's Governing Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised and accepted by the Board to include any unencumbered cash balances from the preceding year. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

In the first quarter of each fiscal year, the ESC summarizes and certifies its budget on forms furnished by the State Department of Education, together with such other information as the State Department of Education may require. The summarized budget document consists of three parts. Part (A) includes entitlement funding from the state for the cost of salaries, employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the ESC. Part (C) includes the adopted appropriation resolution of the ESC. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the ESC the amount from part (B) that is to be apportioned to their district.

The ESC is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from state resources.

Part (B) of the budget is provided by the school districts served by the ESC, and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the ESC by \$37.00. This amount is provided from State Resources.

If additional funding is needed for the ESC, and if a majority of the Boards of Education of the school districts served by the ESC approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the ESC through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment. The districts to which the ESC provides service have agreed to pay \$8.50 per pupil, or an additional \$2.00 per pupil, to provide additional funding for services provided by the ESC.

APPROPRIATIONS

The annual appropriation resolution is legally enacted by the ESC's Governing Board at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the ESC may pass a temporary appropriation measure to meet the ordinary expenses of the ESC. The appropriation resolution, by fund, must be within the estimated resources, and the total of expenditures may not exceed the appropriation totals at legal level of control. Any revisions that alter the total of the fund appropriation must be approved by the ESC's Governing Board.

The ESC's Governing Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the original and final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions. All supplemental appropriations were legally enacted by the Governing Board during fiscal year 2005.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

F. Cash and Investments

To improve cash management, cash received by the ESC is pooled in a central bank account except for cash held in segregated accounts, are mentioned in this pool. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the ESC's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2005, investments were limited to overnight repurchase agreements, federal securities, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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.

The ESC has invested funds in STAR Ohio during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with 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 STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$178,963, which includes \$82,164 assigned from other ESC funds.

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

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The ESC maintains a capitalization threshold of one thousand dollars. The ESC does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

Description	Governmental Activities <u>Estimated Lives</u>
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

H. Compensated Absences

Compensated absences of the ESC consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the ESC and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least 20 years of service regardless of their age and with at least five years of service with the ESC were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

I. Accrued Liabilities and Long-Term Obligations

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

J. Fund Balance Reserves

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

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the governmental funds balance sheet and on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the governmental funds time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

M. Estimates

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

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

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Governing Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

- A.** For fiscal year 2005, the ESC has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the basic financial statements of the ESC, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major governmental funds of the ESC as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 2,120,282	\$ 391,694	\$ 2,511,976
GASB Technical Bulletin No. 2004-2	(30,902)	(6,196)	(37,098)
Restated Fund Balance, June 30, 2004	<u>\$ 2,089,380</u>	<u>\$ 385,498</u>	<u>\$ 2,474,878</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

Interim deposits are deposits of interim monies. Interim moneys 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 District'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:

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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

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

8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year-end, the ESC had \$250 in undeposited cash on hand which is included on the financial statements of the ESC as part of "Equity in Pooled Cash and Cash Equivalents."

B. Cash in Segregated Accounts

At year-end, \$7,167,063 was on deposit in the account the ESC maintains as fiscal agent for the Trumbull County Employee Insurance Benefits Consortium (see Note 10.B.) and is included on the fiduciary statement of net assets as "Cash in Segregated Accounts". The balance is covered by federal deposit insurance, by collateral held by the Trumbull County Educational Service Center, or by collateral held by a qualified third-party trustee in the name of the ESC. This amount is not included in the total amount of "Deposits with Financial Institutions" reported below.

C. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all ESC deposits was \$(568,481), exclusive of the \$7,124,863 repurchase agreement included in investments below. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase as revenues which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, the ESC's bank balance of \$38,033 was covered by Federal Deposit Insurance Corporation.

D. Investments

As of June 30, 2005, the ESC had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Repurchase Agreement	\$ 7,124,863	\$ 7,124,863	\$ -
STAR Ohio	48,923	48,923	-
FHLMC Discount Note	1,233,754	449,042	784,712
FNMA Discount Note	374,130	198,360	175,770
FHLB	398,626	198,876	199,750
	<u>\$ 9,180,296</u>	<u>\$ 8,020,064</u>	<u>\$ 1,160,232</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The weighted average maturity of investments is .14 years.

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

Credit Risk: The ESC's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ESC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the ESC's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the ESC.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the ESC at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 7,124,863	77.61
STAR Ohio	48,923	0.53
FHLMC Discount Note	1,233,754	13.44
FNMA Discount Note	374,130	4.08
FHLB	398,626	4.34
	<u>\$ 9,180,296</u>	<u>100.00</u>

E. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (568,481)
Investments	9,180,296
Cash on hand	<u>250</u>
Total	<u>\$ 8,612,065</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 5,613,823
Agency funds	<u>2,998,242</u>
Total	<u>\$ 8,612,065</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 - RECEIVABLES

Receivables at June 30, 2005 consisted of accounts, (billings to Districts for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full. A summary of the items of receivables reported on the statement of net assets follows:

Governmental Activities

Accounts	\$ 84
Intergovernmental	<u>1,039,715</u>
Total	<u><u>\$ 1,039,799</u></u>

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

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance</u> <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/05</u>
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 3,982,175	\$ 41,326	\$ -	\$ 4,023,501
Vehicles	<u>16,135</u>	<u>-</u>	<u>-</u>	<u>16,135</u>
Total capital assets, being depreciated	<u>3,998,310</u>	<u>41,326</u>	<u>-</u>	<u>4,039,636</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	(2,184,039)	(327,282)	-	(2,511,321)
Vehicles	<u>(9,411)</u>	<u>(2,305)</u>	<u>-</u>	<u>(11,716)</u>
Total accumulated depreciation	<u>(2,193,450)</u>	<u>(329,587)</u>	<u>-</u>	<u>(2,523,037)</u>
Governmental activities capital assets, net	<u><u>\$ 1,804,860</u></u>	<u><u>\$ (288,261)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,516,599</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 240,074
Special	12,618

Support Services:

Pupil	9,642
Instructional Staff	36,001
Administration	25,786
Fiscal	2,998
Business	2,330
Operations and Maintenance	<u>138</u>

Total depreciation expense \$ 329,587

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the ESC entered into a capitalized lease agreement for the acquisition of copier equipment.

These lease agreements met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of office equipment have been capitalized in the amount of \$36,068. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$6,967 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Copier</u>
2006	\$ 8,791
2007	8,791
2008	<u>2,198</u>
Total minimum lease payments	19,780
Less: amount representing interest	<u>(1,807)</u>
Total	<u>\$ 17,973</u>

NOTE 8 - LONG-TERM OBLIGATIONS

During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
Capital lease obligation	\$ 24,940	\$ -	\$ (6,967)	\$ 17,973	\$ 7,573
Compensated absences	<u>297,798</u>	<u>126,434</u>	<u>(59,596)</u>	<u>364,636</u>	<u>65,519</u>
Total	<u>\$ 322,738</u>	<u>\$ 126,434</u>	<u>\$ (66,563)</u>	<u>\$ 382,609</u>	<u>\$ 73,092</u>

Compensated absences will be paid from the fund from which the employee's salaries are paid. The capital lease obligation is being repaid from the general fund, see Note 7 for capital leases.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty-five percent of the total sick leave accumulation, up to a maximum accumulation of 51 days for both certificated and classified employees. An employee receiving such payment must meet the retirement provisions set by STRS and SERS and have ten or more years of service with the state and five or more years with the ESC.

B. Insurance Benefits

The ESC provides life insurance in the amount of \$50,000 to all full-time employees.

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The ESC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the ESC contracted with Nationwide Insurance Company, Harcum-Hyre Insurance Agency, Inc., for fleet and general liability insurance, which has a \$2,000,000 per claim/\$2,000,000 annual aggregate and an excess liability policy of \$2,000,000 per claim and aggregate. Leased vehicles are covered by Nationwide Insurance Company. There is \$250 deductible for comprehensive and a \$500 deductible for collision. The vehicle liability insurance carries a \$1,000,000 combined single occurrence limitation.

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

Property insurance is provided by Indiana Insurance Co., The Griffith Agency, with a deductible of \$1,000.

During fiscal year 2005, the ESC participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool. The ESC entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The ESC pays this annual premium to the OSP.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 - RISK MANAGEMENT - (Continued)

The types and amounts of coverage provided by the OSP are as follows:

General Liability:	
Each Occurrence	\$ 1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Fire Damage Limit - Any One Event	10,000
Medical Expense Limit	10,000
Employees' Liability:	
Each Offense	1,000,000
Aggregate	3,000,000
Employers' Liability:	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Educational Legal Liability:	
Errors and Omissions Injury Limit	1,000,000
Errors and Omissions Aggregate Limit	2,000,000
Employment Practices Injury Limit	1,000,000
Employment Practices Injury Aggregate Limit	2,000,000

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.

B. Employee Medical/Surgical and Dental Insurance

The ESC has contracted with Trumbull County School Employee Insurance Benefits Consortium (the "Consortium") to provide employee medical/surgical and dental benefits. The Consortium is a shared risk pool comprised of sixteen Trumbull County school districts and the ESC. The ESC is fiscal agent for the Consortium. Rates are set through an annual calculation process. The ESC 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 of the Consortium has the right to return monies to an exiting district subsequent to the settlements of all expenses and claims.

The ESC pays medical/surgical and dental premiums for certified employees hired before August 1, 2004, and classified employees hired before July 1, 2003, as follows:

<u>Carrier</u>	<u>Single</u>	<u>Family</u>
Medical Mutual PPO	\$ 377.12	\$ 980.50
Dental	24.47	76.62
Life (\$50,000 coverage)	6.00	6.00

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NOTE 10 - RISK MANAGEMENT - (Continued)

The ESC pays medical/surgical premiums for classified employees hired after July 1, 2003 and certified employees hired after August 1, 2004 as follows:

<u>Carrier</u>	<u>Single</u>	<u>Family</u>
Medical Mutual PPO	\$ 377.12	\$ 980.50
Dental	24.47	76.62
Life (\$50,000 coverage)	5.70	5.70

The ESC pays medical/surgical premiums for administrators, effective August 1, 2004 as follows:

<u>Carrier</u>	<u>Single</u>	<u>Family</u>
Medical Mutual PPO	\$ 357.27	\$ 928.90
Dental	23.88	74.76
Life (\$50,000 coverage)	5.40	5.40

C. OSBA Workers' Compensation Group Rating Plan

For fiscal year 2005, the ESC participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the ESC by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school ESCs is calculated as one experience and a common premium rate is applied to all school ESCs in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan 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 Plan.

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 Plan. Participation in the Plan is limited to school ESCs that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The ESC 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

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NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the ESC is required to contribute at an actuarially determined rate. The current ESC rate is 14% of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The ESC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$379,871, \$379,673 and \$356,994, respectively; 100% has been contributed for fiscal years 2005, 2004 and 2003.

B. State Teachers Retirement System

The ESC contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current ESC rate is 14% of annual covered payroll. A portion of the ESC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. ESC's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$989,145, \$972,288, and \$943,877, respectively; 100% has been contributed for fiscal years 2005, 2004 and 2003. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,751 made by the ESC and \$12,842 made by plan members.

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 Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Governing Board have elected Social Security. The ESC's liability is 6.2% of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The ESC provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement 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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the ESC, this amount equaled \$70,653 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the ESC, the amount to fund health care benefits, including surcharge, equaled \$130,166 during the 2005 fiscal year.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 1,286,509
Net adjustment for revenue accruals	(1,372,863)
Net adjustment for expenditure accruals	1,493
Net adjustment for other sources/uses	813,851
Adjustment for encumbrances	<u>25,650</u>
GAAP basis	<u>\$ 754,640</u>

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - CONTINGENCIES

A. Grants

The ESC receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the ESC. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the ESC.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The ESC is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

SUPPLEMENTAL DATA

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS
OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION OF THE ARTS AND HUMANITIES PASSED THROUGH				
N/A:				
State Library Program	45.310	N/A	\$ 19,923	\$ 26,178
Total Office of Library Services, Institute of Museum and Library Services, National Foundation of the Arts and Humanities			<u>19,923</u>	<u>26,178</u>
U. S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
<i>Special Education Cluster:</i>				
(B) Special Education Grants to States	84.027	050088-6B-SA-2004-P	34,708	41,837
(B) Special Education Grants to States	84.027	050088-6B-SA-2005	31,183	39,481
(B) Special Education-Preschool Grants	84.173	050088-PG-D7-2004-P	11,468	11,468
(B) Special Education-Preschool Grants	84.173	050088-PG-D7-2005	113,915	125,735
Total Special Education Cluster			<u>191,274</u>	<u>218,521</u>
English Language Acquisition Grants	84.365	050088-T3-S1-2004	728	728
English Language Acquisition Grants	84.365	050088-T3-S1-2005	17,414	17,414
Total English Language Acquisition			<u>18,142</u>	<u>18,142</u>
Total U. S. Department of Education			<u>209,416</u>	<u>236,663</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:				
State Children's Insurance Program	93.767	N/A	64,906	64,906
Medical Assistance Program	93.778	N/A	572,839	572,839
Total U. S. Department of Health and Human Services			<u>637,745</u>	<u>637,745</u>
Total Federal Financial Assistance			<u>\$867,084</u>	<u>\$900,586</u>

- (A) This schedule was prepared on the cash basis of accounting.
(B) Included as part of "Special Education Cluster" in determining major programs.



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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Trumbull County Educational Service Center, Trumbull County, (the "ESC") as of and for the fiscal year ended June 30, 2005 which collectively comprise the ESC's basic financial statements, and have issued our report thereon dated December 7, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ESC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Governing Board
Trumbull County Educational Service Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ESC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Julian & Grube, Inc.
December 7, 2005



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its
Major Federal Program and on 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

Compliance

We have audited the compliance of the Trumbull County Educational Service Center, Trumbull County, (the “ESC”) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers” for the fiscal year ended June 30, 2005. The ESC’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the ESC’s management. Our responsibility is to express an opinion on the compliance based on our audit.

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

In our opinion, the ESC complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2005.

Governing Board
Trumbull County Educational Service Center

Internal Control Over Compliance

The management of the ESC 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 ESC's internal control over compliance with requirements that could have a direct and material effect on its 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 reportable 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 caused by error or fraud that would be material in relation to its major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Julian & Grube, Inc.
December 7, 2005

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS
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<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)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for its major federal program?	No
<i>(d)(1)(v)</i>	Type of Major Program Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Medical Assistance Program - CFDA 93.778.
<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?	Yes

**TRUMBULL COUNTY EDUCATIONAL SERVICE CENTER
TRUMBULL COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

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

None.

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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2006**