



**BROWN COUNTY EDUCATIONAL SERVICE CENTER  
BROWN COUNTY**

**SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**BROWN COUNTY EDUCATIONAL SERVICE CENTER  
BROWN COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Brown County Educational Service Center  
Brown County  
325 West State Street  
Georgetown, Ohio 45121

To the Board:

We have audited the accompanying general-purpose financial statements of the Brown County Educational Service Center, Brown County, Ohio (the Service Center), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Service Center, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2002 on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

February 26, 2002

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**Brown County Educational Service Center  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Assets and Other Debits:</u></b>			
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$1,599,399	\$16,008	\$1,000
Cash and Cash Equivalents in Segregated Accounts	0	2,093,172	1,062,582
Receivables:			
Taxes	0	1,626,063	137,297
Accounts	10,017	0	0
Intergovernmental	25,845	83,209	44,352
Accrued Interest	0	68,109	0
Interfund Receivable	0	81,422	0
Prepaid Items	3,455	8,566	0
Inventory Held for Resale	0	0	0
Materials and Supplies Inventory	44,024	33,862	0
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	0	20,297	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
<b><u>Other Debits:</u></b>			
Amount to be Provided from General Government Resources	0	0	0
 Total Assets and Other Debits	 \$1,682,740	 \$4,030,708	 \$1,245,231



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$0	\$0	\$0	\$0	\$1,616,407
651,928	300,190	0	0	4,107,872
0	0	0	0	1,763,360
0	0	0	0	10,017
12,615	0	0	0	166,021
2,690	0	0	0	70,799
0	0	0	0	81,422
0	0	0	0	12,021
4,033	0	0	0	4,033
5,190	0	0	0	83,076
0	0	0	0	20,297
56,536	0	9,332,594	0	9,389,130
0	0	0	337,464	337,464
<u>\$732,992</u>	<u>\$300,190</u>	<u>\$9,332,594</u>	<u>\$337,464</u>	<u>\$17,661,919</u>

(continued)

**Brown County Educational Service Center**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**June 30, 2001**  
**(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b><u>Liabilities,</u></b>			
<b><u>Fund Equity and Other Credits:</u></b>			
<b><u>Liabilities:</u></b>			
Accounts Payable	\$921	\$6,228	\$9,444
Contracts Payable	0	1,002	0
Accrued Wages and Benefits	142,379	304,927	0
Compensated Absences Payable	12,424	5,205	0
Interfund Payable	0	81,250	0
Intergovernmental Payable	12,251	51,680	0
Deferred Revenue	25,845	1,543,219	157,820
Undistributed Monies	0	0	0
	193,820	1,993,511	167,264
<b><u>Fund Equity and Other Credits:</u></b>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	128,097	51,057	102,830
Reserved for Inventory	44,024	33,862	0
Reserved for Property Taxes	0	189,026	16,329
Reserved for Budget Stabilization	0	20,297	0
Unreserved:			
Undesignated	1,316,799	1,742,955	958,808
	1,488,920	2,037,197	1,077,967
Total Liabilities, Fund Equity and Other Credits	\$1,682,740	\$4,030,708	\$1,245,231

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
		\$0	\$0	\$16,633
		0	0	1,446
		0	0	463,804
		0	322,321	340,528
	172	0	0	81,422
	0	0	15,143	82,841
	0	0	0	1,728,412
	295,210	0	0	295,210
22,855	295,382	0	337,464	3,010,296
0	0	9,332,594	0	9,332,594
710,137	0	0	0	710,137
0	0	0	0	281,984
0	0	0	0	77,886
0	0	0	0	205,355
0	0	0	0	20,297
0	4,808	0	0	4,023,370
710,137	4,808	9,332,594	0	14,651,623
<u>\$732,992</u>	<u>\$300,190</u>	<u>\$9,332,594</u>	<u>\$337,464</u>	<u>\$17,661,919</u>

**Brown County Educational Service Center**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Capital Projects	Expendable Trust	(Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$0	\$1,589,675	\$133,073	\$0	\$1,722,748
Intergovernmental	1,031,270	3,190,290	67,447	0	4,289,007
Interest	100,805	169,909	0	0	270,714
Tuition and Fees	56,091	5,825	0	0	61,916
Rent	0	2,772	0	0	2,772
Gifts and Donations	2,000	0	37,000	2,420	41,420
Customer Services	1,192,007	18,385	0	0	1,210,392
Miscellaneous	0	62,108	0	580	62,688
<b>Total Revenues</b>	<b>2,382,173</b>	<b>5,038,964</b>	<b>237,520</b>	<b>3,000</b>	<b>7,661,657</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	1,059	325,052	0	0	326,111
Special	803,939	0	0	0	803,939
Vocational	294	2,589,804	140	0	2,590,238
Support Services:					
Pupils	305,970	300,206	0	0	606,176
Instructional Staff	358,895	296,407	0	0	655,302
Board of Education	5,985	17,084	0	0	23,069
Administration	192,188	305,105	0	0	497,293
Fiscal	135,690	257,324	10,010	0	403,024
Business	0	14,567	0	0	14,567
Operation and Maintenance of Plant	19,460	429,322	22,033	0	470,815
Pupil Transportation	0	14,063	0	0	14,063
Central	163,445	147,130	0	0	310,575
Non-Instructional Services	122,309	4,158	0	0	126,467
Extracurricular Activities	0	5,095	0	1,950	7,045
Capital Outlay	0	0	380,933	0	380,933
Intergovernmental	0	15,655	0	0	15,655
<b>Total Expenditures</b>	<b>2,109,234</b>	<b>4,720,972</b>	<b>413,116</b>	<b>1,950</b>	<b>7,245,272</b>
Excess of Revenues Over (Under) Expenditures	272,939	317,992	(175,596)	1,050	416,385
<b><u>Other Financing Sources (Uses):</u></b>					
Proceeds from Sale of Fixed Assets	0	764	0	0	764
Operating Transfers In	0	2,263	0	0	2,263
Operating Transfers Out	0	(136,063)	0	0	(136,063)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(133,036)</b>	<b>0</b>	<b>0</b>	<b>(133,036)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	272,939	184,956	(175,596)	1,050	283,349
Fund Balances at Beginning of Year	1,218,094	1,856,704	1,253,563	3,758	4,332,119
Decrease in Reserve for Inventory	(2,113)	(4,463)	0	0	(6,576)
<b>Fund Balances at End of Year</b>	<b>\$1,488,920</b>	<b>\$2,037,197</b>	<b>\$1,077,967</b>	<b>\$4,808</b>	<b>\$4,608,892</b>

See accompanying notes to the general purpose financial statements

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**Brown County Educational Service Center  
Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual (Budget Basis)  
All Governmental Fund Types and Expendable Trust Fund  
For the Fiscal Year Ended June 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>						
Property Taxes	\$0	\$0	\$0	\$1,576,340	\$1,576,979	\$639
Intergovernmental	1,005,029	1,029,384	24,355	3,169,664	3,158,992	(10,672)
Interest	100,805	100,805	0	212,500	217,461	4,961
Tuition and Fees	72,280	72,280	0	4,375	5,925	1,550
Rent	0	0	0	8,000	2,772	(5,228)
Gifts and Donations	7,800	2,000	(5,800)	0	0	0
Customer Services	1,153,034	1,191,914	38,880	27,327	21,120	(6,207)
Miscellaneous	0	0	0	4,304	4,011	(293)
<b>Total Revenues</b>	<b>2,338,948</b>	<b>2,396,383</b>	<b>57,435</b>	<b>5,002,510</b>	<b>4,987,260</b>	<b>(15,250)</b>
<b><u>Expenditures:</u></b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	55,270	1,059	54,211	331,955	321,480	10,475
Special	876,079	858,192	17,887	18,651	15,655	2,996
Vocational	11,400	11,400	0	2,778,799	2,642,330	136,469
<b>Support Services:</b>						
Pupils	424,746	339,183	85,563	322,340	297,662	24,678
Instructional Staff	451,972	393,898	58,074	337,880	299,662	38,218
Board of Education	5,838	5,838	0	31,245	17,577	13,668
Administration	205,725	205,725	0	326,515	311,954	14,561
Fiscal	136,666	136,666	0	287,026	259,353	27,673
Business	0	0	0	14,351	14,195	156
Operation and Maintenance of Plant	19,718	19,718	0	505,006	458,516	46,490
Pupil Transportation	0	0	0	19,615	16,092	3,523
Central	188,507	163,801	24,706	193,159	146,936	46,223
Non-Instructional Services	319,169	248,299	70,870	5,933	4,145	1,788
Extracurricular Activities	0	0	0	0	5,095	(5,095)
Capital Outlay	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>2,695,090</b>	<b>2,383,779</b>	<b>311,311</b>	<b>5,172,475</b>	<b>4,810,652</b>	<b>361,823</b>
Excess of Revenues Over (Under) Expenditures	(356,142)	12,604	368,746	(169,965)	176,608	346,573
<b><u>Other Financing Sources (Uses):</u></b>						
Proceeds from Sale of Fixed Assets	0	0	0	764	764	0
Refund of Prior Year Expenditures	0	0	0	55,500	58,097	2,597
Advances In	0	0	0	126,250	132,207	5,957
Advances Out	0	0	0	(121,222)	(121,222)	0
Operating Transfers In	0	0	0	1,988	2,263	275
Operating Transfers Out	0	0	0	(141,158)	(136,063)	5,095
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(77,878)</b>	<b>(63,954)</b>	<b>13,924</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(356,142)	12,604	368,746	(247,843)	112,654	360,497
Fund Balances at Beginning of Year	1,418,360	1,418,360	0	1,821,531	1,821,531	0
Prior Year Encumbrances Appropriated	40,338	40,338	0	139,812	139,812	0
<b>Fund Balances at End of Year</b>	<b>\$1,102,556</b>	<b>\$1,471,302</b>	<b>\$368,746</b>	<b>\$1,713,500</b>	<b>\$2,073,997</b>	<b>\$360,497</b>

See accompanying notes to the general purpose financial statements

Capital Projects Funds			Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$133,480	\$133,526	\$46	\$0	\$0	\$0	\$1,709,820	\$1,710,505	\$685
56,232	58,734	2,502	0	0	0	4,230,925	4,247,110	16,185
500	0	(500)	0	0	0	313,805	318,266	4,461
0	0	0	0	0	0	76,655	78,205	1,550
0	0	0	0	0	0	8,000	2,772	(5,228)
37,000	37,000	0	2,470	2,420	(50)	47,270	41,420	(5,850)
0	0	0	0	0	0	1,180,361	1,213,034	32,673
0	0	0	600	580	(20)	4,904	4,591	(313)
<u>227,212</u>	<u>229,260</u>	<u>2,048</u>	<u>3,070</u>	<u>3,000</u>	<u>(70)</u>	<u>7,571,740</u>	<u>7,615,903</u>	<u>44,163</u>
0	0	0	0	0	0	387,225	322,539	64,686
1,000	1,000	0	0	0	0	895,730	874,847	20,883
256,682	188,824	67,858	0	0	0	3,046,881	2,842,554	204,327
0	0	0	0	0	0	747,086	636,845	110,241
21,177	20,177	1,000	0	0	0	811,029	713,737	97,292
0	0	0	0	0	0	37,083	23,415	13,668
0	0	0	0	0	0	532,240	517,679	14,561
12,300	10,010	2,290	0	0	0	435,992	406,029	29,963
0	0	0	0	0	0	14,351	14,195	156
38,793	25,947	12,846	0	0	0	563,517	504,181	59,336
0	0	0	0	0	0	19,615	16,092	3,523
0	0	0	0	0	0	381,666	310,737	70,929
0	0	0	0	0	0	325,102	252,444	72,658
0	0	0	3,935	1,950	1,985	3,935	7,045	(3,110)
288,713	279,776	8,937	0	0	0	288,713	279,776	8,937
<u>618,665</u>	<u>525,734</u>	<u>92,931</u>	<u>3,935</u>	<u>1,950</u>	<u>1,985</u>	<u>8,490,165</u>	<u>7,722,115</u>	<u>768,050</u>
<u>(391,453)</u>	<u>(296,474)</u>	<u>94,979</u>	<u>(865)</u>	<u>1,050</u>	<u>1,915</u>	<u>(918,425)</u>	<u>(106,212)</u>	<u>(723,887)</u>
0	0	0	0	0	0	764	764	0
0	0	0	0	0	0	55,500	58,097	2,597
0	0	0	0	0	0	126,250	132,207	5,957
0	0	0	0	0	0	(121,222)	(121,222)	0
0	0	0	0	0	0	1,988	2,263	275
0	0	0	0	0	0	(141,158)	(136,063)	5,095
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(77,878)</u>	<u>(63,954)</u>	<u>13,924</u>
<u>(391,453)</u>	<u>(296,474)</u>	<u>94,979</u>	<u>(865)</u>	<u>1,050</u>	<u>1,915</u>	<u>(996,303)</u>	<u>(170,166)</u>	<u>826,137</u>
1,206,916	1,206,916	0	3,758	3,758	0	4,450,565	4,450,565	0
40,866	40,866	0	0	0	0	221,016	221,016	0
<u>\$856,329</u>	<u>\$951,308</u>	<u>\$94,979</u>	<u>\$2,893</u>	<u>\$4,808</u>	<u>\$1,915</u>	<u>\$3,675,278</u>	<u>\$4,501,415</u>	<u>\$826,137</u>

**Brown County Educational Service Center**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Retained Earnings**  
**Proprietary Fund Type**  
**For the Fiscal Year Ended June 30, 2001**

	Enterprise
<b><u>Operating Revenues:</u></b>	
Tuition	\$72,023
Sales	91,441
Charges for Services	42,636
 Total Operating Revenues	 206,100
<b><u>Operating Expenses:</u></b>	
Salaries	132,154
Fringe Benefits	77,424
Purchased Services	29,466
Materials and Supplies	107,617
Cost of Sales	45,671
Depreciation	757
Other	1,608
 Total Operating Expenses	 394,697
 Operating Loss	 (188,597)
<b><u>Non-Operating Revenues:</u></b>	
Federal Donated Commodities	8,947
Federal and State Subsidies	114,732
Interest	9,274
 Total Non-Operating Revenues	 132,953
 Loss Before Operating Transfers	 (55,644)
 Operating Transfers-In	 152,805
Operating Transfers-Out	(19,005)
 Net Income	 78,156
 Retained Earnings at Beginning of Year	 631,981
 Retained Earnings at End of Year	 \$710,137

See accompanying notes to the general purpose financial statements



**Brown County Educational Service Center**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Fund Equity - Budget and Actual (Budget Basis)**  
**Proprietary Fund Type**  
**For the Fiscal Year Ended June 30, 2001**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><u>Revenues:</u></b>			
Tuition	\$63,800	\$72,023	\$8,223
Sales	91,855	91,441	(414)
Interest	7,500	8,593	1,093
Charges for Services	44,547	46,144	1,597
Federal and State Subsidies	100,704	102,117	1,413
<b>Total Revenues</b>	<b>308,406</b>	<b>320,318</b>	<b>11,912</b>
<b><u>Expenses:</u></b>			
Salaries	223,299	149,550	73,749
Fringe Benefits	90,381	73,892	16,489
Purchased Services	40,917	29,889	11,028
Materials and Supplies	212,519	139,044	73,475
Other	1,825	1,668	157
Capital Outlay	58,355	57,086	1,269
<b>Total Expenses</b>	<b>627,296</b>	<b>451,129</b>	<b>176,167</b>
Excess of Revenues Under Expenses	(318,890)	(130,811)	188,079
Operating Transfers In	143,725	152,805	9,080
Operating Transfers Out	(18,730)	(19,005)	(275)
Advances In	1,084	0	(1,084)
Advances Out	(11,225)	(10,950)	275
Excess of Revenues Under Expenses, Transfers and Advances	(204,036)	(7,961)	196,075
Fund Equity at Beginning of Year	600,133	600,133	0
Prior Year Encumbrances Appropriated	55,199	55,199	0
<b>Fund Equity at End of Year</b>	<b>\$451,296</b>	<b>\$647,371</b>	<b>\$196,075</b>

See accompanying notes to the general purpose financial statements

**Brown County Educational Service Center  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 2001**

	<u>Enterprise</u>
<i><u>Increase (Decrease) in Cash and Cash Equivalents:</u></i>	
<i><u>Cash Flows from Operating Activities:</u></i>	
Cash Received from Customers	\$137,585
Cash Received from Tuition Payments	72,023
Cash Payments to Suppliers for Goods and Services	(180,322)
Cash Payments to Employees for Services	(149,550)
Cash Payments for Employee Benefits	(73,846)
<i>Net Cash Used for Operating Activities</i>	(194,110)
<i><u>Cash Flows from Noncapital Financing Activities:</u></i>	
Operating Grants Received	102,117
Repayment of Short-Term Loans	(10,950)
Operating Transfers In	152,805
Operating Transfers Out	(19,005)
<i>Net Cash Provided by Noncapital Financing Activities</i>	224,967
<i><u>Cash Flows from Capital and Related Financing Activities:</u></i>	
Payments for Capital Acquisitions	(43,014)
<i><u>Cash Flows from Investing Activities:</u></i>	
Interest on Investments	8,593
Change in Fair Value of Investments	160
<i>Net Cash Provided by Investing Activities</i>	8,753
<i>Net Decrease in Cash and Cash Equivalents</i>	(3,404)
<i>Cash and Cash Equivalents at Beginning of Year</i>	655,332
<i>Cash and Cash Equivalents at End of Year</i>	\$651,928

(Continued)

**Brown County Educational Service Center**  
**Combined Statement of Cash Flows**  
**Proprietary Fund Type**  
**For the Fiscal Year Ended June 30, 2001**  
**(Continued)**

	<u>Enterprise</u>
<i><u>Reconciliation of Operating Loss to Net</u></i>	
<i><u>Cash Used for Operating Activities:</u></i>	
Operating Loss	<u>(\$188,597)</u>
 <i><u>Adjustments to Reconcile Operating</u></i>	
<i><u>Loss to Net Cash Used for Operating Activities:</u></i>	
Depreciation	757
Donated Commodities Used During Year	8,947
<i><u>Changes in Assets and Liabilities:</u></i>	
Decrease in Accounts Receivable	1,908
Decrease in Ingovernmental Receivable	1,600
Increase in Inventory Held for Resale	(524)
Increase in Materials and Supplies Inventory	(3,746)
Decrease in Accounts Payable	(1,081)
Increase in Contracts Payable	444
Decrease in Accrued Wages and Benefits	(1,262)
Decrease in Compensated Absences	(15,209)
Increase in Intergovernmental Payable	<u>2,653</u>
 <i>Total Adjustments</i>	 <u>(5,513)</u>
 <i>Net Cash Used for Operating Activities</i>	 <u><u>(\$194,110)</u></u>

See accompanying notes to the general purpose financial statements

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*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY**

The Brown County Educational Service Center (the “Educational Service Center”) operates under a Governing Board as defined by Section 3313.01 of the Ohio Revised Code. The Brown County Governing Board was chartered to operate by the State Board of Education on June 10, 1968. The Governing Board consists of five members elected at large for staggered four year terms. The Educational Service Center is an administrative entity providing supervision and certain other services to local school districts located in Brown County.

The Educational Service Center employs 54 certified and 38 classified staff members, and provides services to the local, exempted village, and city school districts.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Educational Service Center consists of all funds, departments, boards and agencies that are not legally separate from the Educational Service Center. For the Brown County Educational Service Center, this includes general operations, preschool, as well as teacher and student developmental activities.

Component units are legally separate organizations for which the Educational Service Center is financially accountable. The Educational Service Center is financially accountable for an organization if the Educational Service Center appoints a voting majority of the organization's governing board and (1) the Educational Service Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Educational Service Center is legally entitled to or can otherwise access the organization's resources; the Educational Service Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Educational Service Center is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Educational Service Center in that the Educational Service Center approves the budget, the issuance of debt, or the levying of taxes. The Educational Service Center includes the Southern Hills Joint Vocational School as a blended component unit due to the fact that the Boards are substantially the same. The five member Southern Hills Joint Vocational School Board of Education includes the three members of the Board of Education of the Brown County Educational Service Center.

The Council for Vocational Education, which performs activities within the Educational Service Center's boundaries for the benefit of its residents, is excluded from the accompanying financial statements because the Educational Service Center is not financially accountable for this entity nor is it fiscally dependent on the Educational Service Center.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 1 - DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY** (Continued)

The Educational Service Center participates in four organizations, one of which is defined as a jointly governed organization, one as an insurance purchasing pool, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Brown County Schools Benefits Consortium. These organizations are presented in Notes 14, 15, and 16 to the general purpose financial statements.

The information in notes 2 through 18 pertain to the Brown County Educational Service Center and the blended component unit except for those exclusively presented for the Southern Hills Joint Vocational School in Note 19.

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

The financial statements of the County Educational Service Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Educational Service Center also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Educational Service Center's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

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

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

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

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the Educational Service Center are financed. The acquisition, use and balances of the Educational Service Center's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds.

The following are the Educational Service Center's governmental fund types:

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

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

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

Proprietary Fund Types:

Proprietary funds are used to account for the Educational Service Center's ongoing activities which are similar to those found in the private sector. The following are the Educational Service Center's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for Educational Service Center activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. For the Educational Service Center these include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Educational Service Center, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the Educational Service Center except those accounted for in the proprietary or trust funds.

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District does not have contributed capital. Proprietary funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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



*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for proprietary funds.

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 Educational Service Center, available means expected to be received within thirty one days of year-end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 19.) 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 Educational Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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: property taxes available as an advance, accounts, grants and interest.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

**C. Budgetary Process**

The budgetary process entails preparation of budgetary documents within an established timetable.

The Educational Service Center 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 Educational Service Center's 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.

In the first quarter of each fiscal year, the Educational Service Center 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 anticipated revenue by sources of the Educational Service Center. Part (C) includes the adopted appropriation resolution of the Educational Service Center. The State Board of Education reviews the budget and certifies to each local board of education under the supervision of the Educational Service Center the amount from part (B) that is to be apportioned to their district.

All funds, other than agency funds, are budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level are made by resolution of the Board of Education. The Treasurer has been given the authority to allocate appropriations among functions and objects within funds. Because the activity of agency funds is not budgeted, advances-in and advances-out do not equal on a budgetary basis by \$35.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

Appropriations:

The annual appropriation resolution is enacted by the Governing Board of the Educational Service Center at the fund level. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center. Budgetary controls require that the appropriation resolution, by fund, be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. The Governing Board of the Educational Service Center 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. During the year, several supplemental appropriations were enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds.

Encumbrances:

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

Lapsing of Appropriations:

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

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the Educational Service Center except cash held as fiscal agent for the Brown County Benefits Consortium and cash of the Southern Hills Joint Vocational School, is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through Educational Service Center records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. Cash received and held as fiscal agent for the Brown County Schools Benefits Consortium and cash of the Southern Hills Joint Vocational School is held in separate bank accounts and is presented as "Cash and Cash Equivalents in Segregated Accounts" on the balance sheet.

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit, repurchase agreements, STAR Ohio and Federal Home Loan Mortgage Corporation Bonds. 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 and nonnegotiable certificates of deposit are reported at cost.

The Educational Service Center has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. 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, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue is credited to the general fund. Interest revenue credited to the general and special revenue funds during fiscal year 2001 amounted to \$100,805, and \$169,909, which includes \$28,617, and \$12,272 assigned from other Educational Service Center funds, respectively. The enterprise funds and the benefits consortium also received interest revenue of \$9,274 and \$11,071, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Educational Service Center are considered to be cash equivalents.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, non-food supplies, and school supplies held for resale, and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is recorded in the year in which services are consumed.

**G. Fixed Assets and Depreciation**

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of ten to twenty years. The Educational Service Center does not have any infrastructure.

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Educational Service Center will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy.

The Educational Service Center records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The Educational Service Center records a liability for accumulated unused sick leave for all employees after fifteen years of current service with the Educational Service Center. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than thirty one days after year end are considered not to have used current available financial resources.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

**K. Interfund Transactions**

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

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

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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

**L. Fund Balance Reserves**

The Educational Service Center 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, inventory of supplies, property taxes and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. Estimates**

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

**N. Undistributed Monies**

These funds represent undistributed monies held by the Educational Service Center as fiscal agent for the Brown County Schools Benefits Consortium which will be distributed to third parties upon their request.

**O. Total Columns on General Purpose Financial Statements**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE**

For fiscal year 2001, the Educational Service Center has implemented *GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions,"* and *GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues,"* which changes how the Educational Service Center reports certain types of revenues. At June 30, 2000, there was no effect on fund balance as a result of implementing these statements.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.



**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$272,939	\$184,956	(\$175,596)	\$1,050
Adjustments:				
Revenue Accruals	14,210	6,393	(8,260)	2,209
Expenditure Accruals	(146,448)	(37,819)	(344)	(750)
Advances	0	10,985	0	0
Encumbrances	(128,097)	(51,861)	(112,274)	0
Budget Basis	\$12,604	\$112,654	(\$296,474)	\$2,509

Net Income/Excess of Revenues Over (Under)  
Expenses, Transfers and Advances  
Proprietary Fund Type

	Enterprise
GAAP Basis	\$78,156
Adjustments:	
Revenue Accruals	(9,948)
Increase in Fair Value of Investments	160
Expense Accruals	(18,725)
Capital Outlay	(43,014)
Depreciation Expense	757
Advances	(10,950)
Encumbrances	(4,397)
Budget Basis	(\$7,961)

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies presented by the Educational Service Center (including the blended component unit) into three categories.

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

4. Bond 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the Educational Service Center had \$550 in undeposited cash on hand which is included on the balance sheet of the Educational Service Center as part of "equity in pooled cash and cash equivalents."

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

**Deposits** At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$2,802,958 and the bank balance was \$3,442,484. Of the bank balance, \$2,140,308 was covered by federal depository insurance and \$1,302,176 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the Educational Service Center's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

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

	Category 1	Category 3	Carrying/Fair Value
Repurchase Agreement	\$0	\$800,391	\$800,391
STAR Ohio	0	0	1,791,114
Federal Home Loan Mortgage Corporation Bonds	349,563	0	349,563
Total	<u>\$349,563</u>	<u>\$800,391</u>	<u>\$2,941,068</u>

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

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

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$5,744,576	\$0
Cash on Hand	(550)	0
Investments:		
Repurchase Agreement	(800,391)	800,391
STAR Ohio	(1,791,114)	1,791,114
Federal Home Loan Mortgage Corporation Bonds	(349,563)	349,563
GASB Statement No. 3	\$2,802,958	\$2,941,068

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts(charges for services), grants, interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

*General Fund*

Summer Food Program	\$25,325
Ohio Children's Trust	520
Total General Fund	25,845

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 6 - RECEIVABLES** (Continued)

*Special Revenue Funds*

Other Grant	3,139
Career Development	5,787
Entry Year Programs	22,000
Title VI-B	4,032
Title II	933
Vocational Education Planning District	23,372
Title VI	1,946
Preventive Health	22,000
	<hr/>
Total Special Revenue Funds	83,209
	<hr/>

*Capital Projects Funds*

Permanent Improvement	7,500
Vocational Education Equipment	36,852
	<hr/>
Total Capital Projects Funds	44,352
	<hr/>

*Enterprise Fund*

Adult Education	12,615
	<hr/>
Total Intergovernmental Receivables	\$166,021
	<hr/> <hr/>

**NOTE 7 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$183,806
Less: Accumulated Depreciation	(127,270)
	<hr/>
Net Fixed Assets	\$56,536
	<hr/> <hr/>

**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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**NOTE 7 - FIXED ASSETS** (Continued)

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at June 30, 2000	Additions	Deletions	Balance at June 30, 2001
Land	\$407,830	\$24,041	\$0	\$431,871
Buildings and Improvements	5,007,458	235,462	58,289	5,184,631
Furniture, Fixtures and Equipment	3,064,038	486,026	1,642	3,548,422
Vehicles	231,210	0	63,540	167,670
Totals	<u>\$8,710,536</u>	<u>\$745,529</u>	<u>\$123,471</u>	<u>\$9,332,594</u>

**NOTE 8 - RISK MANAGEMENT**

**A. Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, professional liability was provided by the Nationwide Mutual Insurance Company with a \$5,000,000 aggregate limit.

The Ohio Casualty Group Insurance Company maintains a \$50,000 public official bond for the Treasurer. A \$2,000 blanket bond for other employees is also maintained by the Ohio Casualty Group Insurance Company.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 8 - RISK MANAGEMENT** (Continued)

**B. Workers' Compensation Group Rating Plan**

For fiscal year 2001, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

The Educational Service Center participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk pool (Note 16) consisting of seven districts. The Educational Service Center is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination, regardless of the date such claims were incurred.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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



*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was 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 Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$22,865, \$27,197 and \$46,649, respectively; 93 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$1,505, represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds. \$582 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$49,020, \$73,385 and \$116,184, respectively; 100 percent has been contributed for fiscal years 2001, 2000 and 1999.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, one of the Educational Service Center's employees has elected Social Security. The Educational Service Center's liability is 6.2 percent of wages paid.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amounts equaled \$23,220, for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$65,051.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit as to the accumulation of the number of sick days. Upon retirement, payment is made for twenty-five percent of the employees' accumulated sick leave with a maximum payment being limited to 50 days.

**B. Other Employee Benefits**

The Educational Service Center provides term life insurance and accidental death and dismemberment insurance to all of its full time employees through Coresource, Inc.

**C. 125 Plan**

The Educational Service Center provides its full time employees an option to participate in an I.R.C. Section 125 plan. Money allocated to this plan must be used for expenses covered by that benefit during that year. Any monies not used by the end of the plan year are forfeited to the general fund. Employees may elect to have plan benefit dollars applied to a health care reimbursement plan, a dependent care assistance plan, or an insurance premium payment plan. Participation is renewed annually with each fiscal year beginning August 1 and ending July 31. This plan has been included as an agency fund and is administered by Business Plans.

**NOTE 12 - LONG-TERM OBLIGATIONS**

The changes in the Educational Service Center's long-term obligations during the fiscal year 2001 were as follows:

	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Compensated Absences	\$346,220	\$22,487	\$46,386	\$322,321
Intergovernmental Payable (Pension Obligation)	16,145	15,143	16,145	15,143
Total General Long-Term Obligations	<u>\$362,365</u>	<u>\$37,630</u>	<u>\$62,531</u>	<u>\$337,464</u>

**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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**NOTE 12 - LONG-TERM OBLIGATIONS** (Continued)

Compensated absences and the intergovernmental payable will be paid from the funds from which the employees' salaries are paid.

**NOTE 13 - INTERFUND ACTIVITY**

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
<u>Special Revenue Funds:</u>		
General (Southern Hills Joint Vocational)	\$81,422	\$0
Other Grant	0	6,250
Career Development	0	10,000
Vocational Education Planning District	0	50,000
Title VI	0	15,000
Total Special Revenue Funds	<u>81,422</u>	<u>81,250</u>
<u>Agency Fund:</u>		
Student Managed Activity	0	172
Total All Funds	<u><u>\$81,422</u></u>	<u><u>\$81,422</u></u>

**NOTE 14 - JOINTLY GOVERNED ORGANIZATION**

**A. South Central Ohio Computer Association**

The Educational Service Center is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Jackson, Pike, Ross, Scioto, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 15 - INSURANCE PURCHASING POOL**

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

**NOTE 16 - PUBLIC ENTITY SHARED RISK POOL**

The Brown County Schools Benefits Consortium, a public entity shared risk pool, currently operates to provide health insurance coverage to enrolled employees of the consortium members and to eligible dependents of those enrolled employees. Six Brown County school districts (Eastern Brown, Fayetteville-Perry, Georgetown, Ripley Union Lewis Huntington, Southern Hills Joint Vocational and Western Brown Schools) entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health insurance for the benefit of the consortium members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Educational Service Center pays premiums based on what the consortium estimates will cover the costs of all claims for which the consortium is obligated. If the Educational Service Center's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the Educational Service Center's claims are low, it will not receive a refund. The consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information write to the Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**NOTE 17 - CONTINGENCIES**

**Grants:**

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2001.

**Litigation:**

There are currently no matters in litigation with the Educational Service Center as defendant.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 18 - SUBSEQUENT EVENTS**

On July 25, 2001, the Southern Hills Joint Vocational School District Board of Education was reorganized to include one member from Eastern, Fayetteville-Perry, Ripley-Union-Lewis-Huntington and Western Brown Local School Districts and to reduce by two the number of representatives from the Governing Board of the Brown County Educational Service Center.

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 25, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as a basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL**

As indicated in Note 1 to the General Purpose Financial Statements, the following disclosures are made on behalf of Southern Hills Joint Vocational School.

**A. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Brown County Budget Commission for rate determination.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the Southern Hills Joint Vocational School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Southern Hills Joint Vocational School District Treasurer.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL** (Continued)

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Southern Hills Joint Vocational School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

**B. Restricted Assets**

Restricted assets in the special revenue funds represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set-aside by the Southern Hills Joint Vocational School for budget stabilization. See Note 19 J for additional information regarding set-asides.

**C. Accountability**

Fund balances at June 30, 2001, included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Amounts</u>
Career Development	\$75
Vocational Education Planning District	7,421

The deficits in these funds are due to adjustments for accrued liabilities. The general fund is liable for these deficits and provides operating transfers when cash is required, not when accruals occur.



*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL** (Continued)

**D. Property Taxes**

Property taxes for the Southern Hills Joint Vocational School District (blended component unit) are levied and assessed on a calendar year basis while the Educational Service Center fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Southern Hills Joint Vocational School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2001 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL** (Continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$389,966,580	82.74%	\$471,400,700	85.87%
Public Utility	160,420	0.03%	163,370	0.03%
Tangible Personal Property	81,209,663	17.23%	77,404,489	14.10%
Total Assessed Value	<u>\$471,336,663</u>	<u>100.00%</u>	<u>\$548,968,559</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$5.80		\$5.80	

The Southern Hills Joint Vocational School District receives property taxes from Brown and Highland Counties. The County Auditor periodically advances to the Southern Hills Joint Vocational School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001 are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2001, was \$189,026 in the Special Revenue Fund, and \$16,329 in the Capital Projects Fund.

The Southern Hills Joint Vocational School District's overall legal debt margin was \$49,407,170 with an unvoted debt margin of \$548,969 at June 30, 2001.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL** (Continued)

**E. Risk Management**

The Southern Hills Joint Vocational School 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 2001, the Southern Hills Joint Vocational School contracted with Nationwide Insurance Company for general liability insurance with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Indiana Insurance and holds a \$1,000 deductible.

The Southern Hills Joint Vocational School's vehicles are covered by the Auto-Owners Insurance Company and hold a \$250 deductible for comprehensive and collision. Automobile liability has a \$1,000,000 combined single limit of liability. Vehicles are also covered under the commercial umbrella policy.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction of coverage from the prior year.

**F. Defined Benefit Pension Plans**

**1. School Employees Retirement System**

The Southern Hills Joint Vocational School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$22,647, \$26,094, and \$34,373, respectively; 97.43 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999.

**2. State Teachers Retirement System**

The Southern Hills Joint Vocational School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$221,111, \$120,368, and \$118,012, respectively; 87.91 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$26,736 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**G. Postemployment Benefits**

For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For Southern Hills Joint Vocational School, this amount equaled \$104,737, for fiscal year 2001.

For the Southern Hills Joint Vocational School, the amounts contributed to fund health care benefits under SERS, including the surcharge, during the 2001 fiscal year equaled \$81,877.

*Brown County Educational Service Center  
Notes to the General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 2001*

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL** (Continued)

**H. Compensated Absences**

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month for a total of 15 days of sick leave for each year under contract. Sick leave may be accumulated up to a maximum of 220 days for all personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 55 days for all personnel.

**I. Other Employee Benefits**

The Southern Hills Joint Vocational School provides life insurance and accidental death and dismemberment insurance to most employees through various life insurance companies. Dental insurance is provided by the Southern Hills Joint Vocational School to all employees through CoreSource, Inc. Medical claims coverage is provided by the Brown County Schools Benefits Consortium.

**J. Set-aside Calculations and Fund Reserves**

The Southern Hills Joint Vocational School's management is required by State statute to annually set aside in a Special Revenue Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years.

For fiscal year ended June 30, 2001, the Southern Hills Joint Vocational School was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes or retained for budget stabilization.

**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL (Continued)**

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	(\$74,708)	\$0	\$58,107
Current Year Set-aside Requirement	90,060	90,060	0
Reduction in Requirement based on Revised Legislation	0	0	(37,810)
Qualifying Disbursements	<u>(150,580)</u>	<u>(287,562)</u>	<u>0</u>
Total	<u>(\$135,228)</u>	<u>(\$197,502)</u>	<u>\$20,297</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$135,228)</u>	<u>\$0</u>	<u>\$20,297</u>
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$20,297</u>

Although the Southern Hills Joint Vocational School had qualifying disbursements during the year that reduced the capital acquisition and textbook set-aside amounts to below zero, only the amount for the textbook set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

The total reserve balance for the set-asides at the end of the fiscal year was \$20,297.

**K. Segment Information For Enterprise Funds**

The Southern Hills Joint Vocational School District maintains four enterprise funds to account for the operations of food service, uniform school supplies, customer services and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the Southern Hills Joint Vocational School District as of and for the fiscal year ended June 30, 2001.

**Brown County Educational Service Center**  
**Notes to the General Purpose Financial Statements**  
**For the Fiscal Year Ended June 30, 2001**

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**NOTE 19 - SOUTHERN HILLS JOINT VOCATIONAL SCHOOL (Continued)**

	Food Service	Uniform School Supplies	Rotary	Adult Education	Total Enterprise Funds
Operating Revenues	\$77,186	\$14,255	\$42,636	\$72,023	\$206,100
Depreciation Expense	192	0	0	565	757
Operating Loss	(86,474)	(2,304)	(3,450)	(96,369)	(188,597)
Donated Commodities	8,947	0	0	0	8,947
Federal and State Subsidies	17,077	0	4,614	93,041	114,732
Operating Transfers	107,230	0	(18,430)	45,000	133,800
Net Income (Loss)	56,054	(2,303)	(17,266)	41,671	78,156
Fixed Asset Additions	41,602	0	0	1,412	43,014
Net Working Capital	209,289	82,257	35,134	327,499	654,179
Total Assets	268,418	82,257	35,134	347,183	732,992
Total Equity	259,476	82,257	35,134	333,270	710,137
Encumbrances	0	2,275	1,616	506	4,397

**L. Jointly Governed Organization**

The Coalition of Rural and Appalachian Schools is a jointly governed organization including over 100 hundred school districts in southeastern Ohio. The Coalition is operated by a Board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the Southern Hills Joint Vocational School and the Southern Hills Joint Vocational School does not maintain an equity interest in or financial responsibility for the Council.

**BROWN COUNTY EDUCATIONAL SERVICE CENTER  
BROWN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Summer Food Service Program for Children	23-PU-00	10.559	47,624		0	
	24-PU-00	10.559	7,624		68,210	
	23-PU-01	10.559				
	24-PU-01	10.559	0		53,093	
Total Summer Food Service Program for Children			55,248	0	121,303	0
Total U.S. Department of Agriculture			<b>55,248</b>	<b>0</b>	<b>121,303</b>	
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education_Preschool Grants	PG-S1-01	84.173	15,655		15,655	
Eisenhower Professional Development State Grants	MS-S4-01	84.281	22,000		16,163	
Goals 2000_State and Local Education Systemic Improvement Grants	G2-S9-00	84.276	0		9,436	
	G2-S9-01	84.276	15,000		15,000	
Total Goals 2000			15,000	0	24,436	0
Safe and Drug -Free Schools and Communities_State Grants	DR-S1-00	84.186	3,511		5,335	
Total U.S. Department of Education			<b>56,166</b>	<b>0</b>	<b>61,589</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	N/A	93.778	63,424		63,424	
<i>Passed through Ohio Department of Health and Human Services:</i>						
Preventive Health and Health Services Block Grant	8-5-01-P-BP	93.991	3,750		3,495	
	8-5-01-F-AN	93.991	59,675		56,976	
	8-5-01-F-AN	93.991	19,824		25,212	
Total Preventive Health and Health Services Block Grant			83,249		85,683	0
Total U.S. Department of Health and Human Services			<b>146,673</b>	<b>0</b>	<b>149,107</b>	<b>0</b>
<b>Totals</b>			<b>\$258,087</b>	<b>\$0</b>	<b>\$331,999</b>	<b>\$0</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**BROWN COUNTY EDUCATIONAL SERVICE CENTER  
BROWN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the Service Center had an insignificant amount of food commodities in their inventory.





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

Brown County Educational Service Center  
Brown County  
325 West State Street  
Georgetown, Ohio 45121

To the Board:

We have audited the financial statements of Brown County Educational Service Center, Brown County, Ohio, (the Service Center), as of and for the year ended June 30, 2001, and have issued our report thereon dated February 26, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10408-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Service Center's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10408-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Service Center in a separate letter dated February 26, 2002.

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

**Jim Petro**  
Auditor of State

February 26, 2002



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

Brown County Educational Service Center  
Brown County  
325 West State Street  
Georgetown, Ohio 45121

To the Board:

**Compliance**

We have audited the compliance of Brown County Educational Service Center, Brown County, Ohio (the Service Center), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Service Center's management. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

The Service Center's general-purpose financial statements include the operations of the Southern Hills Joint Vocational School District, which spent \$336,151 in federal awards which is not included the Schedule of Federal Awards Expenditures during the year ended June 30, 2001. Our audit, described below, did not include the operations of the Southern Hills Joint Vocational School District because the component unit had a separate audit performed in accordance with OMB Circular A-133.

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

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

**Internal Control Over Compliance**

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

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

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

**Jim Petro**  
Auditor of State

February 26, 2002

**BROWN COUNTY EDUCATIONAL SERVICE CENTER  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Summer Food Service Program for Children #10.559, Medical Assistance Program - CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	No

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

**FINDING NUMBER 2001-10408-001**

**Material Noncompliance / Reportable Condition**

**Ohio Rev. Code, Section 5705.41 (D)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This Section also provides for two exceptions to the above requirement:

- A. Then-and-Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Service Center may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then-and-Now Certificate without affirmation of the Board of Education, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for all commitments for 10% of the items tested. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. Therefore, we recommend the Service Center obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**BROWN COUNTY EDUCATIONAL SERVICE CENTER  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2000-10408-001	The Service Center did not certify funds prior to making some expenditures as required by Rev. Code Section 5705.41(D).	No	The finding was reissued as finding No. 2001-10408-001.







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**BROWN COUNTY EDUCATIONAL SERVICE CENTER**

**BROWN 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  
MARCH 7, 2002**