



**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Educational Service Center  
Darke County  
5279 Education Drive  
Greenville, OH 45331

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Educational Service Center, Darke County, 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 Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with 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 Educational Service Center, Darke County, as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2001, the Educational Service Center adopted Governmental Accounting Statements No. 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2001, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 Educational 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

December 27, 2001

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**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	Governmental Fund Types			Account Groups		Total (Memorandum Only)
	General	Special Revenue	Capital Projects	General Fixed Assets	General Long-Term Obligations	
<b>Assets and Other Debits</b>						
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$288,338	\$329,861	\$136,736			\$754,935
Receivables:						
Accounts		176				176
Intergovernmental	154,537	108,748				263,285
Interfund Receivable	22,875					22,875
Prepaid Items	1,660					1,660
Fixed Assets				866,303		866,303
Other Debits:						
Amount to be Provided for Retirement of General Long-Term Obligations					149,051	149,051
<b>Total Assets and Other Debits</b>	<b>467,410</b>	<b>438,785</b>	<b>136,736</b>	<b>866,303</b>	<b>149,051</b>	<b>2,058,285</b>
<b>Liabilities, Fund Equity and Other Credits</b>						
Liabilities:						
Accounts Payable	14,219	56,673				70,892
Accrued Wages and Benefits Payable	175,701	57,247				232,948
Interfund Payable		22,875				22,875
Intergovernmental Payable	195,446	33,793			1,190	230,429
Deferred Revenue	79,373	10,430				89,803
Compensated Absences Payable	12,393				147,861	160,254
<b>Total Liabilities</b>	<b>477,132</b>	<b>181,018</b>			<b>149,051</b>	<b>807,201</b>
Fund Equity and Other Credits:						
Investment in General Fixed Assets				866,303		866,303
Fund Balance:						
Reserved for Encumbrances	45,349	56,574				101,923
Unreserved, Undesignated (Deficit)	(55,071)	201,193	136,736			282,858
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>(9,722)</b>	<b>257,767</b>	<b>136,736</b>	<b>866,303</b>		<b>1,251,084</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$467,410</b>	<b>\$438,785</b>	<b>\$136,736</b>	<b>\$866,303</b>	<b>\$149,051</b>	<b>\$2,058,285</b>

See Accompanying Notes to the General Purpose Financial Statements.



**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Revenues:</b>				
Charges for Services	\$421,634			\$421,634
Tuition and Fees		31,374		31,374
Intergovernmental	1,487,639	938,983		2,426,622
Interest	53,004			53,004
Miscellaneous	9,668	21,861		31,529
<b>Total Revenues</b>	<u>1,971,945</u>	<u>992,218</u>		<u>2,964,163</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular		42,090		42,090
Special	566,570	77,793		644,363
Vocational		143		143
Support Services:				
Pupils	494,827	323,442		818,269
Instructional Staff	757,486	525,446		1,282,932
Board of Education	35,561			35,561
Administration	170,743	123,472		294,215
Fiscal	118,017	26,614		144,631
Operation and Maintenance of Plant	34,859	204		35,063
Pupil Transportation	2,130			2,130
Central	8,069			8,069
Intergovernmental		319,432		319,432
Capital Outlay			23,064	23,064
<b>Total Expenditures</b>	<u>2,188,262</u>	<u>1,438,636</u>	<u>23,064</u>	<u>3,649,962</u>
Revenues (Under) Expenditures	<u>(216,317)</u>	<u>(446,418)</u>	<u>(23,064)</u>	<u>(685,799)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from the Sale of Fixed Assets	50			50
Operating Transfers - In		3,410	25,000	28,410
Operating Transfers - Out	(28,410)			(28,410)
<b>Total Other Financing Sources (Uses)</b>	<u>(28,360)</u>	<u>3,410</u>	<u>25,000</u>	<u>50</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(244,677)	(443,008)	1,936	(685,749)
Fund Balances at Beginning of Year (Restated See Note 3)	<u>234,955</u>	<u>700,775</u>	<u>134,800</u>	<u>1,070,530</u>
<b>Fund Balances at End of Year</b>	<u>(\$9,722)</u>	<u>\$257,767</u>	<u>\$136,736</u>	<u>\$384,781</u>

See Accompanying Notes to the General Purpose Financial Statements.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Charges for Services	\$313,500	\$442,704	\$129,204
Tuition and Fees			
Intergovernmental	1,460,318	1,480,903	20,585
Interest	40,000	55,721	15,721
Miscellaneous		8,201	8,201
	<u>1,813,818</u>	<u>1,987,529</u>	<u>173,711</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular			
Special	665,167	552,014	113,153
Vocational			
Support Services:			
Pupils	533,149	481,762	51,387
Instructional Staff	775,056	726,388	48,668
Board of Education	45,266	38,423	6,843
Administration	177,772	160,749	17,023
Fiscal	123,709	115,964	7,745
Operation and Maintenance of Plant	47,980	43,488	4,492
Pupil Transportation	3,900	2,130	1,770
Central	10,000	7,413	2,587
Capital Outlay			
	<u>2,381,999</u>	<u>2,128,331</u>	<u>253,668</u>
<b>Total Expenditures</b>			
Excess of Revenues Under Expenditures	(568,181)	(140,802)	427,379
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets		50	50
Refund of Prior Year Expenditures	2,000	2,418	418
Other Financing Sources			
Operating Transfers - In			
Operating Transfers - Out	(50,000)	(28,410)	21,590
Advances - In	50,000	48,945	(1,055)
Advances - Out	(50,000)	(22,875)	27,125
	<u>(48,000)</u>	<u>128</u>	<u>48,128</u>
<b>Total Other Financing Sources (Uses)</b>			
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	(616,181)	(140,674)	475,507
Fund Balances at Beginning of Year	308,685	308,685	
Prior Year Encumbrances Appropriated	59,567	59,567	
	<u>308,685</u>	<u>308,685</u>	
<b>Fund Balances (Deficit) at End of Year</b>	<u>(\$247,929)</u>	<u>\$227,578</u>	<u>\$475,507</u>

<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$30,000	\$31,492	\$1,492			
1,247,586	1,300,191	52,605			
	16,789	16,789			
<u>1,277,586</u>	<u>1,348,472</u>	<u>70,886</u>			
57,730	51,066	6,664			
249,437	193,326	56,111			
8,924	8,293	631			
652,994	478,110	174,884			
854,241	687,214	167,027	11,064		11,064
129,239	124,079	5,160			
39,054	26,865	12,189			
11,700	204	11,496			
4,000		4,000			
			<u>56,860</u>	<u>29,624</u>	<u>27,236</u>
<u>2,007,319</u>	<u>1,569,157</u>	<u>438,162</u>	<u>67,924</u>	<u>29,624</u>	<u>38,300</u>
<u>(729,733)</u>	<u>(220,685)</u>	<u>509,048</u>	<u>(67,924)</u>	<u>(29,624)</u>	<u>38,300</u>
71	1,131	1,060			
7,600	11,604	4,004			
	3,410	3,410	25,000	25,000	
	22,875	22,875			
<u>(48,945)</u>	<u>(48,945)</u>				
<u>(41,274)</u>	<u>(9,925)</u>	<u>31,349</u>	<u>25,000</u>	<u>25,000</u>	
(771,007)	(230,610)	540,397	(42,924)	(4,624)	38,300
313,619	313,619		140,500	140,500	
137,753	137,753		860	860	
<u>(\$319,635)</u>	<u>\$220,762</u>	<u>\$540,397</u>	<u>\$98,436</u>	<u>\$136,736</u>	<u>\$38,300</u>

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**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The Darke County Educational Service Center (the "Educational Service Center") is located in Greenville, Ohio, the county seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Mississinawa Valley, Ansonia, Arcanum-Butler, Franklin Monroe, and Tri-Village Local School Districts, the Versailles Exempted Village School District, and the Greenville City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 16 support staff employees, 30 certified teaching personnel and 5 administrative employees that provide services to the local, exempted village and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Educational Service Center are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Darke County Educational Service Center, this includes general operations and student related 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 organizations' 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 currently has no component units.

The following entity which performs activities within the Educational Service Center 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.

**City of Greenville** - The city government of Greenville is a separate body politic and corporate. A mayor and council are elected independent of any Educational Service Center relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

The Educational Service Center is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 15 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations: Metropolitan Dayton Educational Cooperative Association  
Southwestern Ohio Educational Purchasing Council  
Miami Valley Career Technology Center

Insurance Purchasing Pool: Southwestern Ohio Educational Purchasing Council  
Workers' Compensation Group Rating Plan

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**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 expendable available 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 category of governmental.

**1. Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

The special revenue funds are used to account for the proceeds of specific revenue sources (other than 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.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Account Groups:**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations 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.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the Educational Service Center.

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

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

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

The modified accrual basis of accounting is followed for the governmental funds.

Under this basis, revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded in the fiscal year in which 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 sixty days of year-end.

Non-exchange transactions, in which the Educational Service Center receives value without directly giving equal value in return, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: grants, excess cost, and interest.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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 governmental funds.

**C. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails preparation of budgetary documents within an established timetable. The Educational Service Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balance and accepted by the Board. 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 the cost of all other lawful expenditures 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.

**1. Appropriations:**

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. 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. The appropriation resolution, by fund, must be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter total object appropriations within functions, must be approved by the Board of the Educational Service Center.



**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. During the year, seven supplemental appropriations were legally 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, consistent with statutory provisions.

**2. Encumbrances:**

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

**3. Lapsing of Appropriations:**

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2001, the Educational Service Center did not have any investments.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$53,004, which includes \$12,319 assigned from other Educational Service Center funds.

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

**E. Estimates**

The preparation of the 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.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 the purchase and an expenditure is reported in the year in which services are consumed.

**G. Interfund Assets and Liabilities**

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

**H. 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. 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 Educational Service Center does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated.

**I. Compensated Absences**

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

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 sick leave for all employees after fifteen years of service.

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.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 pension contractually required 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 sixty days after year-end are considered not to have been paid using current available financial resources.

**K. Interfund Transactions**

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

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

**L. Fund Balance Reserves**

The Educational Service Center reserves those portions of fund equity which are legally segregated for a specific purpose or which 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 are established for encumbrances.

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

Total columns on the general purpose financial statements are captioned "Total - (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.

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

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." The effect of this change on the excess of revenues over expenditures and the effect on opening fund balances follows:

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE  
(Continued)**

	<b>Governmental Fund Type</b>	
	<b>General Fund</b>	<b>Special Revenue</b>
Excess as previously reported	\$11,034	\$372,903
Restatement:		
Intergovernmental Receivables	10,674	159,526
Restated Amount for the Year Ended June 30, 2000	\$21,708	\$532,429
Fund Balance at June 30, 2000	\$224,281	\$541,249
Restatement:		
Intergovernmental Receivables	10,674	159,526
Restated Amount at July 1, 2000	\$234,955	\$700,775

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2001, the following funds had individual fund deficits:

Fund Type/Funds	Deficit
General Fund	\$9,722
Special Revenue Funds:	
Data Training Institute Grant	3,589

The general fund deficit fund balance is due to adjustments for accrued liabilities. The Educational Service Center is monitoring this deficit and will take appropriate action if deemed necessary. The deficit in the special revenue fund is caused by the application of generally accepted accounting principles. The fund deficit in the special revenue fund will be eliminated when the advance, shown as an interfund payable, is paid off.

**B. Compliance**

The general fund and multiple special revenue funds had appropriations in excess of estimated revenues and available balance for the fiscal year ended June 30, 2001. Example amounts of appropriations in excess of estimated revenues and available balances are as follows:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
General Fund	\$2,214,069	\$2,469,099	\$255,030
Special Revenue Fund:			
Mental Health Grant	0	30,680	30,680

Similar non-compliance issues existed in other special revenue funds where appropriations were in excess of estimated revenues and available balances at June 30, 2001.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
GAAP Basis	(\$244,677)	(\$443,008)	\$1,936
Revenue Accruals	19,717	368,989	0
Expenditure Accruals	117,830	(21,422)	(6,560)
Cash on Hand	(1,715)	0	0
Encumbrances	(57,929)	(109,099)	0
Prepaid Items	30	0	0
Advances	26,070	(26,070)	0
Budget Basis	(\$140,674)	(\$230,610)	(\$4,624)

**6. DEPOSITS AND INVESTMENTS**

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

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

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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

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

Protection of 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 security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of tax exempt 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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 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 \$754,935 and the bank balance was \$812,346. Of the bank balance:

1. \$161,227 was covered by federal depository insurance; and
2. \$651,119 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The Educational Service Center's investments are 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 did not have any investments at year end.

The classification of cash and cash equivalents 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." The classification of cash and cash equivalents on the combined financial statements and the classification of cash and cash equivalents per GASB Statement No. 3 is the same.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**7. STATE FUNDING**

The Educational Service Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from State resources. Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. By agreement, the District receives an additional \$5.50 per pupil. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school districts served by the Educational Service Center by \$37. This amount is provided from State resources.

If additional funding is needed for the Educational Service Center, and if a majority of the Boards of Education of the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school districts approve or disapprove the additional apportionment.

**8. RECEIVABLES**

Receivables at June 30, 2001, consisted of accounts (excess costs), intergovernmental grants and interfund receivables. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

<b>Intergovernmental Receivables</b>	<b>Amounts</b>
General Fund	
Excess Costs	\$124,156
CAFS Payments	30,381
Total General Fund	154,537
Special Revenue Funds:	
SIRI Conference Payments - Greenville CSD	\$1,271
SIRI Conference Payments - Montgomery County	3,000
ESC	
Title VI-B Grant	37,953
Title VI-B Early Childhood Development Grant	8,389
Early Childhood Intervention Grant	20,735
Abstinence Only Grant	37,400
Total Special Revenue Funds	\$108,748
Total All Funds	\$263,285



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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. FIXED ASSETS**

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

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$57,249	\$0	\$0	\$57,249
Buildings and Improvements	492,344	0	0	492,344
Equipment and Furniture	273,808	48,305	5,403	316,710
Total	<u>\$823,401</u>	<u>\$48,305</u>	<u>\$5,403</u>	<u>\$866,303</u>

There was no significant construction in progress at June 30, 2001.

**10. RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the Educational Service Center contracted with Nationwide Insurance for general liability, automobile, and property insurance. Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$627,040
Automobile Liability	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2001, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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 \$15,147, \$13,435 and \$18,808, respectively; 100 percent has been contributed for all three years.

**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 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 \$210,056, \$192,516 and \$156,671, respectively; zero percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$210,056 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**11. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, all five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**12. 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 amount equaled \$92,023 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 9.8 percent of covered payroll, an increase from 1.3 percent for 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 \$36,534.

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(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

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.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. All twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time does carry beyond the contract year in which it is earned. Accumulated, unused vacation time is paid to administrators upon termination of employment if negotiated with the Board of Education. Teachers do not earn vacation time. All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract year in which it is earned.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

**B. Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through Ohio Educational Employee Life Insurance. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield.

**14. LONG-TERM OBLIGATIONS**

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

	<b>Amount Outstanding</b>			<b>Amount Outstanding</b>
	<b>6/30/00</b>	<b>Additions</b>	<b>Deletions</b>	<b>6/30/01</b>
Intergovernmental Payable	\$1,561	\$1,190	\$1,561	\$1,190
Compensated Absences	143,776	4,085	0	147,861
Total General Long-Term Obligations	<u>\$145,337</u>	<u>\$5,275</u>	<u>\$1,561</u>	<u>\$149,051</u>

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**14. LONG-TERM OBLIGATIONS (Continued)**

Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

**15. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL**

**A. Jointly Governed Organizations**

**Metropolitan Dayton Educational Cooperative Association** - The Educational Service Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment for administrative and instructional functions among member school districts. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments to MDECA were made from the general fund in the amount of \$7,448 during fiscal year 2001. Financial information can be obtained from Jerry Woodyard, who serves as director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405.

**Southwestern Ohio Educational Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2001, the Educational Service Center paid \$683 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Miami Valley Career Technology Center** - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from seventeen of the twenty-six participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city, local, and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, Huber Heights, Trotwood-Madison, Carlisle, Eaton, Versailles, Northmont, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from each of the following County Educational Service Centers: Miami, Preble, and Darke. The Educational Service Center had no payments to the Miami Valley Career Technology Center during fiscal year 2001. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Jessup, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)**

**B. Insurance Purchasing Pool**

**Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**16. CONTINGENCIES**

**A. 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.

**B. Litigation**

The Educational Service Center did not have any pending litigation.

**17. INTERFUND RECEIVABLE/PAYABLE**

Interfund balances at June 30, 2001, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$22,875	\$0
Special Revenue Funds:		
Public School Preschool	0	1,805
Data Training Institute Grant	0	3,308
Abstinence Only Education	0	17,762
Total Special Revenue Funds	0	22,875
Total All Funds	<u>\$22,875</u>	<u>\$22,875</u>

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DARKE COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001  
(Continued)**

**18. STATE SCHOOL FUNDING DECISION**

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 December 27, 2001, 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 the basis for determining the base cost support amount and the requirements 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.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<b><i>Passed Through Ohio Department of Education:</i></b>				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	046615 6B-SF 00	84.027	\$46,862	\$63,055
	046615 6B-SF 01	84.027	<u>221,982</u>	<u>205,525</u>
Total Special Education Grants to States			268,844	268,580
Special Education - Preschool Grant	046615 PG-S1 00	84.173	11,144	3,941
	046615 PG-S1 01	84.173	<u>30,595</u>	<u>29,883</u>
Total Special Education - Preschool Grant			41,739	33,824
Total Special Education Cluster			310,583	302,404
Goals 2000 - State and Local Education Systemic Improvement	046615 G2-S9-00	84.276		29,243
	046615 G2-SP 99	84.276		7,271
	046615 G2-S4 99	84.276	<u>11,260</u>	<u>24,900</u>
Total Goals 2000 - State and Local Education Systemic Improvement			11,260	61,414
Eisenhower Professional Development Grants	046615 MS-S1 99	84.281		17,513
	046615 MS-S1 00	84.281		<u>7,583</u>
Total Eisenhower Professional Development Grants				25,096
<b><i>Passed Through Ohio Department of Health:</i></b>				
Special Education - Grants for Infants and Families with Disabilities	19501 FAN 00	84.181	16,196	27,138
	19500 11AN 01	84.181	<u>45,991</u>	<u>43,857</u>
Total Special Education - Grants for Infants and Families with Disabilities			62,187	70,995
<b>Total U.S. Department of Education</b>			384,030	459,909
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<b><i>Passed Through Ohio Department of Education:</i></b>				
Employment and Training Assistance		17.246	8,238	8,206
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<b><i>Passed Through Ohio Department of Health:</i></b>				
Abstinence Only Education Program	19501 FCS 320	93.235	30,127	44,395
	19500 11CS 01	93.235	<u>112,600</u>	<u>95,819</u>
Total Abstinence Only Education Program			142,727	140,214
<b><i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i></b>				
Medical Assistance Program - Community Alternative Funding System		93.778	<u>17,468</u>	<u>17,468</u>
<b>Total U.S. Department of Health and Human Services</b>			160,195	157,682
<b>Totals</b>			<u>\$552,463</u>	<u>\$625,797</u>

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



**EDUCATIONAL SERVICE CENTER  
DARKE 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 Educational Service Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - OTHER COMMENTS**

The following occurred at the Educational Service Center for the named federal assistance programs:

- \$1,000 was received and receipted as returned funds of a prior year expenditure for the Goals 2000 project 046615 G2-SP- 99. These returned funds were expended during fiscal year 2001 and are included within the disbursements of the accompanying Schedule.
- \$7,373 was received, receipted, and returned back to the grantor agency as unexpended funds of the Abstinence Only Education project 19501 FCS 320 and are not included as receipts or disbursements within the accompanying Schedule.

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JIM PETRO, AUDITOR OF STATE

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

Educational Service Center  
Darke County  
5279 Education Drive  
Greenville, Ohio 45331

To the Board of Education:

We have audited the financial statements of the Educational Service Center, Darke County as of and for the year ended June 30, 2001, and have issued our report thereon dated December 27, 2001, wherein we noted the Educational Service Center implemented Governmental Accounting Standards Board Statements number 33 and 36. 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 Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Educational Service Center in a separate letter dated December 27, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated December 27, 2001.

Educational Service Center  
Darke County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management, the county board of education, 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

December 27, 2001



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

Educational Service Center  
Darke County  
5279 Education Drive  
Greenville, Ohio 45331

To the Board of Education:

**Compliance**

We have audited the compliance of the Educational Service Center, Darke County 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 Educational Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on the Educational Service's compliance based on our audit.

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

As described in items 2001-10319-001, 2001-10319-002, and 2001-10319-003 in the accompanying schedule of findings and questioned costs, the Educational Service Center did not comply with requirements regarding activities allowed, allowable costs, period of availability and reporting that are applicable to its Goals 2000 and activities allowed, allowable costs, and reporting that are applicable to its Special Education Cluster major federal programs. Compliance with such requirements is necessary, in our opinion, for the Educational Service to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of Educational Service Center in a separate letter dated December 27, 2001.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated December 27, 2001.

This report is intended for the information and use of the audit committee, management, the county board of education, 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

December 27, 2001

EDUCATIONAL SERVICE CENTER  
DARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2001

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Special Education Cluster:</b> Special Education - Grants to States, CFDA # 84.027 and Special Education - Preschool Grants, CFDA # 84.173 <b>Goals 2000</b> , CFDA # 84.276
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None

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

<b>Finding Number</b>	2001-10319-001
<b>CFDA Title and Number</b>	<b>CFDA 84.276</b> Goals 2000 - State and Local Education Systemic Improvement Grants (Educate America, Title III)
<b>Federal Award Number / Year</b>	046615 G2-SP 99
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Questioned Cost/Noncompliance - Period of Availability**

**34 CFR 80.23 (a) and (b)** states that where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligation of the subsequent funding period.

The Goals 2000 Educate America project 046615 G2-SP 99 and Alternative Education project 046615 G2-S4-99 funding periods were July 1, 1999 through September 30, 2000. As of September 30, 2000, \$34,771 of the Goals 2000 and \$5,054 of the Alternative Education project awards were unexpended and were not encumbered until on or after October 1, 2000. There was no evidence provided regarding the request and/or approval to carryover the balance(s).

Therefore, questioned costs for (1) the Goals 2000 Educate America project 046615 G2-SP 99 is \$34,771 and (2) the Alternative Education project 046615 G2-S4-99 is \$5,054.

<b>Finding Number</b>	2001-10319-002
<b>CFDA Title and Number</b>	<b>CFDA 84.276</b> Goals 2000 - State and Local Education Systemic Improvement Grants (Educate America, Title III)
<b>Federal Award Number / Year</b>	046615 G2-SP 99
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance - Reporting**

**34 CFR 80.50 (b)** states that within 90 days after the expiration or termination of the grant, the grantee must submit all financial performance, and other reports required as a condition of the grant. Upon the request by the grantee, federal agencies may extend this timeframe.

There was no evidence that a Final Expenditure Report for the Goals 2000 Educate America project 046615 G2-SP 99 was prepared or submitted to the Ohio Department of Education within 90 days after the funding period. There was also no evidence provided regarding the request and/or approval for an extension regarding the reporting requirement.



**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2001-10319-003
<b>CFDA Title and Number</b>	<b>CFDA 84.276</b> Goals 2000 - State and Local Education Systemic Improvement Grants (Educate America, Title III) <b>CFDA 84.027 &amp; 84.173</b> Special Education Cluster - Grants to States and Special Education Preschool
<b>Federal Award Number / Year</b>	046615 G2-SP 99, 046615-6B-SF-00P, & 046615-PG-S1-2000P
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance - Reporting**

**Questioned Cost - Grant agreement - Activities Allowed/Allowable Costs**

**34 CFR 80.20 (b) (1)** requires financial reports for financially assisted activities be accurate, current, and a complete disclosure of financial results and are to be made in accordance with the financial reporting requirements of the grant and **(4)** states for budget control purposes that actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant, and the financial information must be related to performance or productivity data, including the development of unit costs information whenever appropriate or specifically required in the grant or subgrant agreement.

The final expenditure reports for the Special Education Cluster Title VIB and Preschool Grants and Alternative Education federal programs did not agree with the Educational Service Center's accounting records at the function / object levels (activity); however, the reports did agree in grand total.

The following represents actual expenditures per the Educational Service Center's accounting records as compared to the approved budget by activity included in the grant award. No documentation was presented regarding submission or approval of budget amendments.

<b>Program Title Pass through Number Activity</b>	<b>Approved Budget Amount</b>	<b>Approved Budget Amendment</b>	<b>Actual Expenditure by Activity</b>	<b>Variance</b>	<b>Amount Questioned</b>
<b>CFDA # 84.276 Alternative Education Grant</b>					
<b>Project 046615-G2-S4-99</b>					
Salaries	\$46,122	\$0	\$57,544	\$(11,422)	\$(11,422)
Retirement / Fringe Benefits	17,804	0	6,011	11,793	
Purchased Services	6,715	0	0	6,715	
Supplies	7,358	0	14,445	(7,087)	(7,087)
<b>CFDA #84.027 Title VI-B Grant</b>					
<b>Project 046615-6B-SF-00P</b>					
Salaries	\$126,000	\$0	\$119,732	\$(6,268)	\$(6,268)
Retirement / Fringe Benefits	30,100	0	28,339	1,761	
Purchased Services	93,498	0	101,596	(8,098)	(8,098)
Supplies	967	0	1,137	(170)	(170)
Other	140	0	0	140	

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2001-10319-003 (Continued)
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<b>Program Title Pass through Number Activity</b>	<b>Approved Budget Amount</b>	<b>Approved Budget Amendment</b>	<b>Actual Expenditure by Activity</b>	<b>Variance</b>	<b>Amount Questioned</b>
<b>CFDA #84.173 Preschool Grant Project 046615-PG-S1-2000P</b>					
Salaries					
Retirement / Fringe Benefits	\$34,271	\$0	\$31,710	\$2,561	
	4,935	0	7,496	(2,561)	(2,561)

Therefore, questioned costs amount to \$35,606. The program administrator/coordinator should ensure that transactions are expended within the object and function levels outlined within the approved project budget. Also, the fiscal officer should report the transactions on the final expenditure report based upon the object and function levels supported by the Educational Service Center's accounting system.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY  
FISCAL YEAR ENDING JUNE 30, 2001**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain:</i></b>
2000-10319-001	Expenditures made with limited and/or no supporting documentation	Yes	Finding is fully corrected as the Educational Service Center obtains and maintains a formal document entitled RE: Position in Regards to the Title VI-B Flow-through Dollars for Handicapped Children and Youth from each participating local district outlining the terms of the agreement, including details regarding the payment made to the local districts for in-school services allocation, which is signed by the district's Board President, Treasurer, and Superintendent. Also, the Educational Service Center requires documentation from the participating local districts supporting how their allocation was spent, prior to the payment for in-school services is made.
2000-10319-002	Questioned Cost dealing with indirect cost being charged without having an indirect cost rate proposal	Yes	Finding was not valid as the ESC has had an Indirect Cost Rate Proposal on file with the State Department of Education since 1997.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY  
FISCAL YEAR ENDED JUNE 30, 2001**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10319-001	The grant dates will be watched closer to guarantee timelier obligation of funds within the specified time lines.	1/30/02	Carolyn S. Garver, Treasurer
2001-10319-002	The treasurer will contact ODE to determine the procedures to follow to correct this oversight.	1/30/02	Carolyn S. Garver, Treasurer
2001-10319-003	The treasurer and the program director will work closer to ensure more accurate reporting for future grant cycles.	1/30/02	Carolyn S. Garver, Treasurer



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**DARKE EDUCATIONAL SERVICE CENTER**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 12, 2002**