EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001

JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Educational Service Center
Hardin County
1211 West Lima Street
Kenton, Ohio 43326

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Educational Service Center (the Center), Hardin 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 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, Hardin 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 disclosed in Note 3, during the year ended June 30, 2001, the Center adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2001 on our consideration of the 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 Center, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the general-purpose financial statements.

We subjected to 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

November 26, 2001

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

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

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		
	General	Special Revenue	Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
Assets and Other Debits:						
Assets:						
Equity in Pooled Cash and Cash Equivalents	$587,335	$376,180	$355,764			$1,319,279
Receivables:						
Accounts	3,200	32,440				35,640
Intergovernmental	90,055					90,055
Due from Other Funds	40,000					40,000
Prepaid Items	3,330	27				3,357
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				344,794		344,794
Other Debits:						
Amount to be Provided from General Government Resources					96,086	96,086
Total Assets and Other Debits	723,920	408,647	355,764	344,794	96,086	1,929,211
Liabilities, Fund Equity and Other Credits:						
Liabilities:						
Accounts Payable	30,473	21,948				52,421
Accrued Wages and Benefits	99,424	16,180				115,604
Compensated Absences Payable	9,610				65,901	75,511
Due to Other Funds		40,000				40,000
Intergovernmental Payable	188,238	3,806			18,199	210,243
Deferred Revenue	59,282					59,282
Capital Leases Payable					11,986	11,986
Undistributed Monies			355,764			355,764
Total Liabilities	387,027	81,934	355,764		96,086	920,811
Fund Equity and Other Credits:						
Investment in General Fixed Assets				344,794		344,794
Fund Balance:						
Reserved for Encumbrances	35,489	232,083				267,572
Reserved for Prepaid Items	3,330	27				3,357
Unreserved	298,074	94,603				392,677
Total Fund Equity and Other Credits	336,893	326,713		344,794		1,008,400
Total Liabilities, Fund Equity and Other Credits	$723,920	$408,647	$355,764	$344,794	$96,086	1,929,211

The notes to the financial statements are an integral part of this statement.

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

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

	Governmental Fund Types		Totals
	General	**Special Revenue**	**(Memorandum Only)**
Revenues:			
Intergovernmental	$767,573	$865,326	$1,632,899
Interest	66,675		66,675
Tuition and Fees	505,113		505,113
Customer Services	65,552		65,552
Extracurricular Activities	5,654		5,654
Miscellaneous	173,382	4,100	177,482
Total Revenues	1,583,949	869,426	2,453,375
Expenditures:			
Current:			
Instruction:			
Regular	34,022	91,515	125,537
Special	502,540	28	502,568
Support Services:			
Pupils	429,510	150,140	579,650
Instructional Staff	212,190	172,171	384,361
Board of Education	14,775		14,775
Administration	242,820	131,995	374,815
Fiscal	179,279	2,500	181,779
Business	6,265		6,265
Operation and Maintenance of Plant		24,372	24,372
Pupil Transportation			
Central	8,403	3	8,406
Non-Instructional Services	160		160
Extracurricular Activities	6,965	3	6,968
Intergovernmental	161,178	148,892	310,070
Debt Service:			
Principal Retirement	15,545		15,545
Interest	1,101		1,101
Total Expenditures	1,814,753	721,619	2,536,372
Excess of Revenues Over Expenditures	(230,804)	147,807	(82,997)
Fund Balances at Beginning of Year (Restated Note 4)	567,697	178,906	746,603
Fund Balances at End of Year	$336,893	$326,713	$663,606

The notes to the financial statements are an integral part of this statement.

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

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

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Tuition and Fees	$405,000	$585,137	$180,137			
Intergovernmental	811,570	831,362	19,792			
Interest	50,000	66,675	16,675			
Extracurricular Activities	5,654	5,654		977,242	866,870	(110,372)
Miscellaneous	144,675	180,282	35,607	3,000	4,100	1,100
Total Revenues	1,416,899	1,669,110	252,211	980,242	870,970	(109,272)
Expenditures:						
Current						
Instruction:						
Regular	39,828	36,125	3,703	367,347	224,783	142,564
Special	644,611	600,726	43,885	12,716	8,418	4,298
Support Services:						
Pupils	462,602	477,494	(14,892)	185,707	162,869	22,838
Instructional Staff	300,607	224,099	76,508	260,918	312,834	(51,916)
Board of Education	17,400	13,474	3,926			
Administration	387,627	331,466	56,161	236,573	134,660	101,913
Fiscal	196,569	186,790	9,779	4,941	4,941	
Operation and Maintenance of Plant	2,000		2,000	62,293	45,650	16,643
Pupil Transportation				1,069	1,069	0
Central	15,351	9,685	5,666	3,478	3,078	400
Community Environment	400	260	140			
Extracurricular Activities	7,663	6,985	678	8	3	5
Total Expenditures	2,074,658	1,887,104	187,554	1,135,050	898,305	236,745
Excess of Revenues Over (Under) Expenditures	(657,759)	(217,994)	439,765	(154,808)	(27,335)	127,473
Other Financing Sources:						
Refund of Prior Years Expenditures		6,817	6,817			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(657,759)	(211,177)	446,582	(154,808)	(27,335)	127,473
Fund Balances at Beginning of Year	735,464	735,464		151,501	151,501	
Prior Year Encumbrances Appropriated	6,549	6,549		12,809	12,809	
Fund Balances at End of Year	$84,254	$530,836	$446,582	$9,502	$136,975	$127,473

The notes to the financial statements are an integral part of this statement.

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1. DESCRIPTION OF CENTER

The Educational Service Center, Hardin County (the Center) is located in Kenton, Ohio, the county seat. The Center supplies supervisory, special education, administrative, and other services to the Hardin-Northern, Ridgemont, Benjamin Logan, Waynesfield-Goshen, and Upper Scioto Valley Local School Districts, Ada Exempted Village School District, and Kenton City School District. The Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the 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 most significant of the Center's accounting policies are described below.

A. Reporting Entity

The Center operates under a locally-elected board form of government consisting of five members elected at-large for staggered four year terms. The Center has twenty-five support staff employees and thirty-one certified teaching personnel that provide services to the local, city, and exempted village school districts.

The reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the Center are not misleading.

1. Primary Government:

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Center. For the Center, this includes general operations and student related activities.

2. Component Units:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Jointly Governed Organizations:

The Center is associated with three jointly governed organizations; the Western Ohio Computer Organization, the West Central Ohio Special Education Regional Resource Center, and the Ohio-Hi Point Joint Vocational School.

Information about these organizations are presented in Note 17 to the general purpose financial statements.

4. Insurance Pools:

The Center is associated with two Insurance Pools; the Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan.

Information about these organizations are presented in Note 18 to the general purpose financial statements.

5. Fiscal Agent Services:

The Center serves as the fiscal agent for; the West Central Ohio Special Education Regional Resource Center (SERRC), the West Central Ohio Assistive Technology Center, the Hardin County Local Professional Development Committee (LPDC), and the Business and Education Together Council (B&ET). The Center also administers funds belonging to the Regional Professional Development Committee (RPDC), Teachmaster, and the Ohio Resource Center for Low Incidence Severe Handicap (ORCLISH) grants awarded to the SERRC. Accordingly, this activity is presented as agency funds within the Center's financial statements.

The Center has a contract with the Auglaize County Educational Service Center to provide Treasurer consulting services. In July 2000, the Center entered into a contract with Hardin Northern Local School District, Hardin County, to provide Treasurer's and Assistant Treasurer's services to the School District.

The financial statements of the 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 Center's accounting policies are described below.

B. Basis Of Presentation - Fund Accounting

The 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

1. Governmental Fund Types:

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

General Fund

The General Fund is the operating fund of the 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 Center for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

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

2. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Center's fiduciary fund consists of several agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

3. 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 Center.

General Long-Term Obligations Account Group

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 fund types and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. Available means 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 Center, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Center receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized on a modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Center must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Center on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: grants, interest, tuition, fees, and customer services.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are recorded 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.

D. Budgetary Process

The budgetary process is prescribed by provisions of Section 3317.11 of the Ohio Revised Code and entails preparation of budgetary documents within an established timetable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Center adopts its budget for all funds, other than agency funds, on or before the start of the new fiscal year. For budgeted funds, the budget includes the estimated resources and expenditures for each fund. Upon review by the 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 fiscal 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 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 expenditures of supervisory teachers approved by the State Department of Education. Part (B) includes the cost of all other lawful expenditures of the Center. Part (C) includes the adopted appropriation resolution of the Center.

The State Department of Education reviews the budget and certifies to each local board of education, under the supervision of the Center, the amount from part (B) that is to be apportioned to their school district.

1. Appropriations:

The annual appropriation resolution is legally enacted by the 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 Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Center. The appropriation resolution, by fund, must be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Center's Board.

The Center may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statement 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, all cash received by the Center is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to an overnight repurchase agreement and STAR Ohio. Investments are stated at cost. Investment earnings are allocated as authorized by State statute. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments with 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.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal year 2001 amounted to $66,675, which includes $18,855 assigned from other Center funds.

For purposes of 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. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

E. 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/expense is reported in the year in which services are consumed.

F. 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 could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 Center maintains a capitalization threshold of five hundred dollars. The Center does not possess any infrastructure.

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

H. Intergovernmental Revenues

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

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

Entitlements
- **General Fund**
  - State Foundation Program

Non-Reimbursable Grants
- **Special Revenue Funds**
  - Children's Trust Fund
  - Education Management Information Systems
  - Public School - Preschool
  - School Net
  - Alternative/Opportunity School
  - VI-B Flow Thru
  - Early Literacy Grant
  - Drug Free
  - Preschool Disability

Grants and entitlements amounted to approximately 67 percent of the Center's operating revenue during the 2001 fiscal year.

I. Compensated Absences

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Center's termination policy. The Center records a liability for accumulated unused sick leave for all employees after fifteen years of service.

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.

J. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and contractually required pension contributions are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources.

In general, payment of these obligations made more than two months after fiscal year-end are considered not to have used current available financial resources. Capital leases are recognized as a liability of the general long-term obligations account group until due.

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.

L. Fund Balance Reserves

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Flow-Through Grants

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

N. 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. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". This statement established accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available.

4. RESTATEMENT OF FUND EQUITY

A. Adoption of GASB Statement No. 33.

The restatement for GASB Statement No. 33 had the following effect on fund balance as it was previously reported as of June 30, 2000.

	Special Revenue
Fund Balance as Previously Reported	$145,922
Intergovernmental Receivable	32,984
Restated Fund Balance at June 30, 2000	$178,906

4. RESTATEMENT OF FUND EQUITY (Continued)

The restatement had the following effect on the excess of revenues over expenditures as previously reported for the fiscal year ended June 30, 2000.

	Special Revenue
Excess as Previously Reported	$59,617
Intergovernmental Revenue	32,984
Restated Amount for the Fiscal Year Ended June 30, 2000	$92,601

B. Correction of an Accounting Estimate

The prior amounts recorded for intergovernmental payable were based upon an accounting estimate. The difference between the actual amount and the estimate will result in a restatement of prior year equity for the General Fund as follows:

	General Fund
Fund Balance as Previously Reported	$649,774
Intergovernmental Payable	(82,077)
Restated Fund Balance at June 30, 2000	$567,697

The correction for the difference in the accounting estimate had the following effect on the excess of revenues and other financing sources over (under) expenditures and other financing uses as previously reported for the fiscal year ended June 30, 2000.

	General Fund
Excess as Previously Reported	$(4,662)
Intergovernmental Expense	(82,077)
Restated Amount for the Fiscal Year Ended June 30, 2000	$(86,739)

5. COMPLIANCE

The Treasurer did not certify all expenditures prior to the obligation being incurred which violated Ohio Rev. Code Section 5705.41 (D).

6. BUDGETARY BASIS OF ACCOUNTING

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

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budget 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).

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

Excess of Revenues and Over (Under) Expenditures and Governmental Fund Types

	General	Special Revenue
Budgetary Basis	$(211,177)	$(27,335)
Increase (Decrease) Due To:		
Revenue Accruals	(91,978)	(1,544)
Expenditure Accruals	15,853	(62,519)
Encumbrances Outstanding (Budget Basis) at Year End	56,498	239,205
GAAP Basis	$(230,804)	$147,807

7. EQUITY IN POOLED CASH AND INVESTMENTS

The Treasurer is responsible for selecting depositories and investing funds. State statutes classify monies held by the 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 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 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.

7. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Protection of the 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 moneys deposited with the institution.

Inactive moneys 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 marking association. All federal agency services shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAROhio);

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 ESS, 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.

At fiscal year-end the Center had $100 in undeposited cash on hand which is included on the balance sheet of the Center as part of "Equity in Pooled Cash and Cash Equivalents".

7. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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 Center's deposits was ($91,483) and the bank balance was $50,054. Of the bank balance, $50,054 was covered by federal depository insurance.

Investments: The Center's investments are to be categorized to give an indication of the level of risk assumed by the Center at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the 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 Center's name. STAR Ohio (an investment pool operated by the Ohio State Treasurer) is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At year end, the Center's investment in STAROhio had a market value of $492,018.

	Category 3	Uncategorized	Reported Value	Fair Value
Repurchase Agreement	$918,644	$ -	$918,644	$918,644
STAR Ohio	-	492,018	492,018	492,018
Total	$918,644	$492,018	$1,410,662	$1,410,662

A reconciliation between the classifications of pooled cash and investments on the Combined Balance Sheet (per GASB Statement No.9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement 9	$1,319,279	$ -
Cash on Hand	(100)	
Investments of the Cash		
Cash Management Pool:		
STAROhio	(492,018)	492,018
Repurchase Agreement	(918,644)	918,644
GASB Statement 3	($91,483)	$1,410,662

8. STATE FUNDING

The 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 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 the agreed upon deduction of $6.50 for the City of Kenton and Ada Exempted Village School Districts and $20.56 for the other four school districts. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by $37. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the 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 local school districts served by the 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 local school districts approve or disapprove the additional apportionment.

9. RECEIVABLES

Receivables at June 30, 2001, consisted of accounts, interfund, intergovernmental grants, and contracts. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. A summary of receivables is as follows:

	General Fund Amounts	Special Revenue Fund Amounts	Totals
Intergovernmental Receivables	$90,055	$ 0	$ 90,055
Accounts Receivable	3,200	32,440	35,640
Due from Other Funds	40,000	0	40,000
Total Receivable	$133,255	$32,440	$165,695

10. FIXED ASSETS

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

Classification	Balance at June 30, 2000	Additions	Deletions	Balance at June 30, 2001
Furniture, Fixtures, and Equipment	$144,401	$127,529	$ -	$271,930
Capital Leases	72,864	-	-	72,864
Total	217,265	127,529	-	344,794

11. RISK MANAGEMENT

The 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, the Center 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 Westfield Insurance Company and holds a $500 deductible. Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverages from last year.

The Center participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust), a public entity shared risk pool consisting of six local school districts and the Center. The Center pays monthly premiums to the Plan for employee medical, dental, and vision benefits. The Plan is responsible for the management and operations of the program. Upon withdraw from the Plan, a participant is responsible for the payment of all Plan liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2001, the Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (the Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the Plan. 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 Plan.

Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan. Each year, the Center pays an enrollment fee to the Plan to cover the costs of administering the program.

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (740) 222-5853.

12. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Center is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were $26,68, $19,999, and $27,074, respectively; 96 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of $1,006, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (740) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Center is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were $60,696, $52,436, and $ 50,750, respectively; 83.3 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of $10,084, is recorded as a liability within the respective funds.

C. Social Security Tax

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 board of education member has elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

The State Teacher Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was $3,419 million at June 30, 2000 (the latest information available).

For the fiscal year ended June 30, 2000, net health care costs paid by STRS were $283,137,000. As of July 1, 2000, eligible benefit recipients totaled 99,011. For the Center, the amount contributed for postemployment benefits equaled $45,522 during the 2001 fiscal year.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, 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.

For this fiscal year ending June 30, 2001, employer contributions to fund health care benefits were 9.8 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 had been established at $12,400. The surcharge rate 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% of annual health care expenses. Expenses for health care at June 30, 2000 were $140,696,340 and the target level was $211 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was $252.3 million. The number of participants currently receiving health care benefits is approximately 50,000. For the Center, the amount contributed for post-employment benefits, including the surcharge, equaled $44,893 during the 2001 fiscal year.

14. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. 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 120 days for eligible personnel. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of 30 days.

B. Health Care Benefits

The Center provides life, accidental death and dismemberment, medical/surgical, dental, and vision insurance to most employees through Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

15. CAPITAL LEASES

The Center has entered into capitalized leases for office equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment have been capitalized in the general fixed assets account group in the amount of $72,864.

This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled $15,545 in the governmental funds.

The following is a schedule of future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30,2001:

Fiscal Year Ending June 30:	**Amounts**
2002	$ 9,640
2003	2,762
Total minimum lease payments	$12,402
Less: Amount representing interest	416
Present Value of net minimum lease payments	$11,986

16. LONG TERM OBLIGATIONS

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

	Balance at June 30, 2000	Additions	Deductions	Balance at June 30, 2001
Compensated Absences Payable	$28,105	$37,796	$ -	$65,901
Intergovernmental Payable	5,094	18,199	5,094	18,199
Capital Lease Payable	27,531	0	15,545	11,986
Total General Long Term Obligations	$60,730	$55,995	$20,639	$96,086

17. JOINTLY GOVERNED ORGANIZATION

Western Ohio Computer Organization (WOCO) -The Center is a participant in WOCO which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Shelby 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 districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools districts within each county plus one representative of the fiscal agent. Financial information can be obtained from Larry Wilberding, Director, at 129 E. Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District -The Ohio Hi-Point Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 11 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

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

The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

18. INSURANCE POOLS

Hardin County School Employees' Health and Welfare Benefit and Trust - The Hardin County Schools Health Benefit Fund and Trust (the Trust) is a public entity shared risk pool consisting of six school districts and the Center. The Trust is organized as a Voluntary Employee Benefit.

The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides sick, accident and other benefits to the employees of the participating school districts. Each participating school district's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each school district and the Center decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as director, at 220 East Columbus Street, P.O. Box 735, Kenton, Ohio 44326.

Ohio School Boards Association Workers' Compensation Group Rating Plan - The Center participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member board of directors consisting of 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.

19. 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 November 26, 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 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.

19. STATE SCHOOL FUNDING DECISION (Continued)

As of the date of these financial statements, the Center 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.

20. CONTINGENT LIABILITIES

The 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 Center at June 30, 2001.

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity or Number	Receipts	Disbursements
Educational Service Center				
UNITED STATES DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF 00P	$34,201	$34,971
	84.027	6B-SF 01P	185,548	148,587
Total Special Education Grants to States			219,749	183,558
Special Education - Preschool Grants	84.173	PG-S1-98P		264
	84.173	PG-S1-99P	19,802	26,680
	84.173	PG-S1-00P	8,473	1,925
Total Special Education - Preschool Grants			28,275	28,869
Total Special Education Cluster			248,024	212,427
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S9 99		15,000
		G2-S9 00	15,000	
Total Goals 2000 - State and Local Education Systemic Improvement Grants			15,000	15,000
Safe and Drug Free Schools	84.186	DR-S1-00	913	1,242
Eisenhower Professional Development State Grants Title II, Part B	84.281	MS-S1-98		2,124
	84.281	MS-S1-99		8,200
Total Eisenhower Professional Development State Grants				10,324
Total Department of Education - Educational Service Center			263,937	238,993
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Medical Assistance Program (Medicaid: Title XIX) Community Alternative Funding (CAFS)	93.778		13,377	13,377
	93.778		52,176	52,176
Total Medical Assistance Program			65,553	65,553
(Passed through Franklin County Educational Service Center)				
Special Education Grants to States (ORCLISH)	84.027		2,958	2,958
TOTAL FEDERAL FINANCIAL ASSISTANCE FOR EDUCATIONAL SERVICE CENTER			332,448	307,504
West Central Ohio Special Education Regional Resource Center (SERRC)				
UNITED STATES DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Grants to States	84.027	6B-S1 00	46,891	219,258
	84.027	6B-S1 01	672,291	445,985
Total Special Education Grants to States			719,182	665,243
Special Education - Preschool Grants	84.173	PG-S3-99P	23,700	23,751
	84.173	PG-S3-00P	54,216	36,870
	84.173	PG-S7-99		2,523
	84.173	PG-S7-00	11,250	9,822
Total Special Education - Preschool Grants			89,166	72,966
Total Special Education Cluster - SERRC			808,348	738,209
GRAND TOTAL FEDERAL FINANCIAL ASSISTANCE BOTH EDUCATIONAL SERVICE CENTER AND SERRC			$1,140,796	$1,045,713

The notes to the schedule of federal awards revenue and expenditures is an integral part of this statement.

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes activity of the Center's and the West Central Ohio Special Educational Regional Resource Center's (the SERRC) federal awards programs. The schedule has been prepared on the cash basis of accounting. Revenues are recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligation has been incurred.

NOTE B - SPECIAL EDUCATION REGIONAL RESOURCE CENTER (SERRC)

The West Central Ohio Special Education Regional Resource Center (SERRC) is an organization comprised of the Center's in Allen, Auglaize, Champaign, Hardin, Logan, Mercer and Shelby Counties. The purpose of the organization is to assist schools to develop quality special education programs and services. The governing board is made up of superintendents from the schools, parents of children with disabilities, and representatives of chartered nonpublic schools and universities. The SERRC is funded through the Ohio Department of Education in the form of Special Education Grants to States and Special Education Preschool Grants (Title VI-B) federal grants. Any deficit in funding is charged to each member Center in its proportionate share. The Hardin County Educational Service Center serves as fiscal agent for the West Central Ohio SERRC and reports the activity within an agency fund in the financial statements. The Federal grant is audited as part of the Center and is separately identified on the Schedule of Federal Awards Expenditures.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Educational Service Center
Hardin County
1211 West Lima Street
Kenton, Ohio 43326

To the Board of Education:

We have audited the financial statements of the Educational Service Center (the Center), Hardin County, as of and for the year ended June 30, 2001, where in we noted that the Center has adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and have issued our report thereon dated November 26, 2001. 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 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 and questioned costs as items 2001-10233-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Center in a separate letter dated November 26, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-10233-002 through 2001-10233-005.

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. However, of the reportable conditions described above, we consider items 2001-10233-002 through 2001-10233-004 to be material weaknesses.

Internal Control Over Financial Reporting
(Continued)

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Center in a separate letter dated November 26, 2001.

This report is intended for the information and use of the audit committee, 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

November 26, 2001

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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
Hardin County
1211 West Lima Street
Kenton, Ohio 43326

To the Board of Education:

Compliance

We have audited the compliance of the Educational Service Center, Hardin County (the Center) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 2001. The Center's major federal program is 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 its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center'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 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 Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001. However the results of our auditing procedures disclosed an instance of noncompliance for a non major federal program with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2001-10233-006.

Internal Control Over Compliance

The management of the 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 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.

Internal Control Over Compliance
(Continued)

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 certain matter for a non-major program involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Center's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as items 2001-10233-006.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the audit committee, 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

November 26, 2001

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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)?**	Yes
(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?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Special Education Cluster: Special Education Grants to States, CFDA # 84.027 and Special Education - Preschool Grants, CFDA # 84.173
	Program Not Audited As A Major, However, Findings & Questioned Costs, and a Reportable Internal Control Weakness Was Noted:	Eisenhower Professional Development State Grants Title II, Part B, CFDA # 84.281
(d)(1)(viii)	**Dollar Threshold: Type A/B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2001-10233-001

Reportable Noncompliance

Ohio Rev. Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

> Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
>
> Amounts of less than $1,000 for educational service centers, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty-four percent of the tested expenditures were not certified by the Treasurer prior to making orders for the expenditure of Center’s funds. In addition, twenty- four percent of the then and now certifications did not have the Treasurer’s signature or the date of the certification.

The Treasurer should implement procedures that would help to assure that expenditures are certified according to the requirements of Ohio Rev. Code Section 5705.41(D). The audit committee should implement a review process to determine if the requirements of this section are being met.

FINDING NUMBER 2001-10233-002

Reportable Condition/Material Weakness

Accountability of Fixed Assets

The balance presented on the financial statements as fixed assets should only include those items that meet the criteria for a fixed asset and meet the entity’s capitalization criteria, should include all additions, and should be supported by the financial records. All fixed assets should have tag numbers for easy identification. When a fixed asset is purchased it should be recorded as a capital expenditure.

FINDING NUMBER 2001-10233-002
(Continued)

The balance presented in financial statements was the prior audit unadjusted fixed asset amount plus all expenditures for object code 600 (Capital Outlay) without regard to whether the item meets the criteria for a fixed asset or meets the Center's policy for capitalization threshold. Fixed asset purchases were recorded as repair and maintenance object codes instead of capital outlay. This resulted in the material misstatement of the balance presented as fixed assets in the financial statements. In addition, numerous fixed assets were not marked with tag numbers to help identify them as fixed assets of the Center. This could result in the loss of Center assets or federal grant compliance issues if fixed assets purchased with federal money are not accounted for properly. The financial statements have been modified to correctly present fixed assets.

The Center should maintain a listing of all fixed assets including the asset tag number, serial numbers, model numbers, location, and description of the asset. In addition the assets should be marked with identification tags with asset numbers and identification as an asset of the Center. Additions to the listing should be based upon the capitalization criteria and meet the definition of a fixed asset. Fixed asset purchases should be recorded with either a 600 object code (capital outlay) or a 700 object code (replacement assets) to help prepare the fixed asset list.

FINDING NUMBER 2001-10233-003

Reportable Condition/Material Weakness

Accurate Reporting of Budgeted Revenues and Expenditures

An entity's accounting system and annual budgetary financial statements should only present the budgeted revenues and expenditures as approved by the governing body within the fiscal period. The budgeted expenditures should always be adopted at, and clearly identify, the legal level of control.

The Center's accounting system, and budgetary statements presented budgeted revenues and expenditures which were not approved by the Board during the fiscal year. The amount presented as budgeted revenues was less than the budgeted revenues filed with the Ohio Department of Education by approximately 100 percent and there was no evidence that the Board had approved all of the additional revenue sources. The amount presented as budgeted expenditures in the accounting system, and the budgetary statements did not agree to what the Board approved during the fiscal year, and included an amendment made after the end of the fiscal year. The minutes reflected an appropriation for function 3500 which does not exist in the Uniform School Accounting System. The original budget filed with the Ohio Department of Education presented budgeted expenditures for some Special Revenue Funds at the fund/object level without identifying the function level, which is a level of control between the fund and function. As a result of these issues, the budgetary financial statements required several adjustments to accurately reflect the budgeted revenues and expenditures approved by the Board during the fiscal year.

The improper recording of approved budgeted revenues and expenditures inhibits the Board's ability to accurately monitor the activity of the Center which could result in the Center's Board making inappropriate spending decisions. Without a proper review of the minutes prior to approval, incorrect information could be approved in the minutes without detection. Failure to maintain documentation of how amounts are posted to the accounting system by function could allow for significant differences between amounts approved and amounts posted without detection in the normal course of business.

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

FINDING NUMBER 2001-10233-003
(Continued)

The Board should approve all budgeted expenditures in a manner that clearly identifies the legal level of control. The Audit Committee should periodically compare the budgeted revenues and expenditures approved by the Board to the amounts recorded in the accounting system. All modifications to the budgeted revenues and expenditures should be initiated by a resolution or approval of the Board, and be documented in the Board minutes.

FINDING NUMBER 2001-10233-004

Reportable Condition/Material Weakness

Financial Statement Reporting

The Center is responsible to present financial statements in accordance with Generally Accepted Accounting Principals(GAAP). During December 1998, the Governmental Accounting Standards Board (GASB) issued Statement No. 33,"Accounting and Financial Reporting for Nonexchange Transactions" which was effective for financial statements for periods beginning after June 15, 2000. This Statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources, for example, most taxes, grants and private donations. In a non exchange transaction, the District gives or receives value without directly receiving or giving equal value in return. However there was no review performed to determine the impact of GASB 33 on beginning fund balances or for the ending fund balances of current audit period. The failure to implement GASB 33 resulted in the material misstatement of the beginning and ending fund balances of the Special Revenue Fund Type.

The Center should implement procedures to help assure that their financial statements incorporate all applicable GASB statements.

FINDING NUMBER 2001-10233-005

Reportable Condition

Accuracy of Excess Cost Billings

Excess cost billings should be supported by actual expenditures. Estimates utilized for the calculations should be revised to reflect the actual expenditures after year end. Departments which allocate time for the excess cost billings should retain documentation to support the time spent for each program. Allocations should only include those programs which are operated by the billing entity during the applicable year. Contracts for services to be provided to districts should at minimum specify how excess costs will be calculated, how they will be allocated, indicate the credits to be received by the district, and include a copy of the excess cost calculation.

The Center's calculations which supported the amounts billed to the City, Exempted Village, and Local School Districts for excess costs were not always supported by the actual expenditures or revised for differences between estimated and actual amounts.

Costs billed for insurance were estimated at an average monthly rate of $200 per person. Total estimated amounts for all departments was approximately $56,000, however the actual expenditures were slightly less than $32,000.

FINDING NUMBER 2001-10233-005
(Continued)

The estimated costs of multiple handicapped substitute teachers was $22,000, but the actual cost for substitutes was only $4,017.

The ESC was billed for classroom rental fees (for MH, Gifted, etc) from the City School District and passes this fee on as excess costs. The Center paid the City School District $9,880 for classroom rental fees and charged the Local School Districts and the Exempted Village School District a total of $14,125.

The calculations which support the excess cost amounts billed to the Districts included an allocation of overhead expenses which were not supported by time records or other support for the allocation. In addition, the expenses were allocated to a severe behavioral handicapped program that the Center did not operate during the billing period.

The contracts for services between the Center and the City School, Exempted Village School, and Local School Districts indicated the amount to be deducted from the District's foundation payments but were not specific about the method of calculation for excess costs, how excess costs would be allocated, or what credits would be received by the Districts. The City School and the Exempted Village School both received credit for the $37 per pupil received from the state, however none of the Local Schools received the same credit. There was no support for why the Districts were treated differently. Also there was no evidence that the Districts received the calculation for the billings.

The failure to properly calculate excess cost billings may cause the Center to have inadequate operating revenues or result in an unnecessary financial burden being placed on participating districts. The lack of detailed support makes it difficult to support excess cost billings and could result in the inconsistent treatment between districts.

The Center should implement procedures to help assure that excess cost billings are correctly calculated and supported by appropriate documentation. Contracts between the Center and participating districts should provide adequate detail to support the contract amount and the calculation of excess costs. Differences between estimated and actual expenditures should be reviewed, documented and the resulting refunds or additional charges should be settled with the Districts within a reasonable period after year-end.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2001-10233-006
CFDA Title and Number	Eisenhower Professional Development State Grants Title II, Part B CFDA # 84.281
Federal Award Number/Year	047480-MS-S1-97C 047480-MS-S1-98 04780-MS-S1-99
Federal Agency	Department of Education
Pass-Through Agency	Ohio Department of Education

Non Compliance/Internal Control Weakness-Reportable Condition

Questioned Costs

Period of Availability and Reporting Requirements

34 CFR Section 80.23 (b) requires liquidation of obligations no later than ninety days after the end of the funding period(or as specified in a program regulation). The program regulation stated, "obligations must be liquidated prior to submitting the Final Expenditure Report, which must be filed no later than 60 days after the end of the project period". Ohio Department of Education Federal Fiscal Report Procedures #1, requirement #2, states that the data reported must reflect actual expenditures, not encumbrances.

The Center has filed the final expenditure reports for the Eisenhower IASA Title II grants project numbers 047480-MS-S1-97C and 047480-MS-S1-98, both dated November 25, 1998 and 047480-MS-S1-99, dated January 20, 2000 which reflect that all funds have been spent for the indicated project numbers. The accounting records indicate that expenditures were made after the final expenditure report was filed and that there were still cash fund balances as follows:

FINDING NUMBER 2001-10233-006
(Continued)

Project Number	047480-MS-S1-97C	047480-MS-S1-98	047480-MS-S1-99
Fund/Special Cost Center	514-9597	514-9598	514-9901
Award Amount	$17,873	$19,906	$8,632
Final Expenditure Report Date	11-25-98	11-25-98	1-20-00
Ending Cash Balance reported on Final Expenditure Report	$0	$0	$0
Actual Expenditures after the date of the Final Expenditure Report	$11,750	$9,379	$0
Ending Cash Balance Date	June 30, 1999	June 30, 1999	June 30, 2000
Ending Cash Balance Amount	$2,188	$10,044	$8,200
Questioned Costs	$13,938	$19,423	$8,200

Based on the above facts, questioned costs in the amount $41,561 are being issued for money not spent within the availability period.

The Center should implement procedures to help assure that funds are obligated within the period of availability, obligations are liquidated within 60 days of the end of the grant period, and that only actual expenditures are reported on the final expenditure report filed with the grantor.

EDUCATIONAL SERVICE CENTER
HARDIN COUNTY

FOR THE FISCAL YEAR ENDED JUNE 30, 2001
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2000-10233-001	Ohio Rev. Code 5704.41 (D) The invoice proceeded the Treasurer's certification.	No	Repeated in this report as item 2001-10233-001.

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

HARDIN EDUCATIONAL SERVICE CENTER

HARDIN 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
DECEMBER 20, 2001