



Mary Taylor, CPA  
Auditor of State





# Dave Yost • Auditor of State

January 27, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST  
Auditor of State

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**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Darke County, (the ESC), as of and for the year ended June 30, 2010, which collectively comprise the ESC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ESC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the ESC to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Educational Service Center, Darke County, as of June 30, 2010, and the respective changes in cash financial position thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010, on our consideration of the ESC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the ESC's basic financial statements taken as a whole. The budgetary comparison schedules for the General and Title VI Funds provide additional analysis and are not a required part of the basic financial statements. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The budgetary comparison schedules for the General and Title VI Funds, and the federal awards expenditure schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

November 30, 2010



**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

This discussion and analysis of the Darke County Educational Service Center financial performance provides an overall review of the Educational Service Center's financial activities for the fiscal year ended June 30, 2010, within the limitations of the Educational Service Center's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Educational Service Center's financial performance.

**Highlights**

Key highlights for fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$273,979, or 21 percent.
- The Educational Service Center's primary receipts during fiscal year 2010 were intergovernmental grants and contributions, which accounted for 59 percent of the total cash received. Charges for services to the area school districts accounted for about 40 percent of the total cash received during the year. The other one percent was made up of interest and miscellaneous receipts.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Educational Service Center's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Educational Service Center as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Educational Service Center as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Educational Service Center has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Educational Service Center's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Reporting the Educational Service Center as a Whole**

The statement of net assets and the statement of activities reflect how the Educational Service Center did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Educational Service Center at fiscal year-end. The statement of activities compares cash disbursements with program receipts for the Educational Service Center's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of the program.

These statements report the Educational Service Center's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, one can think of these changes as one way to measure the Educational Service Center's financial health. Over time, increases or decreases in the Educational Service Center's cash position is one indicator of whether the Educational Service Center's financial health is improving or deteriorating. When evaluating the Educational Service Center's financial condition, one should also consider other nonfinancial factors as well such as the condition of the Educational Service Center's capital assets and the reliance on non-local financial resources for operations.

**Reporting the Educational Service Center's Most Significant Funds**

Fund financial statements provide detailed information about the Educational Service Center's major funds – not the Educational Service Center as a whole. The Educational Service Center establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund financial statements provide a detailed view of the Educational Service Center's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the Educational Service Center's activities. The Educational Service Center's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Educational Service Center's major funds are the General Fund, the Title VI-B Fund, and the Permanent Improvement Fund.

**The Educational Service Center as a Whole**

Table 1 provides a summary of the Educational Service Center's net assets for 2010 compared to 2009 on a cash basis:

<b>Table 1</b>		
<b>Net Assets</b>		
	<b>Governmental Activities</b>	
	<b>FY 2010</b>	<b>FY 2009</b>
<b>Assets:</b>		
Equity in Pooled Cash, Cash Equivalents and Investments	\$1,554,891	\$1,280,912
Total Assets	1,554,891	1,280,912
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Capital Outlay	654,984	504,984
Other Purposes	289,527	279,170
Unrestricted	610,380	496,758
Total Net Assets	\$1,554,891	\$1,280,912

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

As mentioned previously, net assets of governmental activities increased \$273,979, or 21 percent during fiscal year 2010. The primary reason for the increase in cash balances was a receipt of American Recovery and Reinvestment Act funding.

Table 2 reflects the changes in net assets in fiscal year 2010, and a comparative analysis of the changes in net assets in fiscal year 2009.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities FY 2010</b>	<b>Governmental Activities FY 2009</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$1,642,558	\$1,758,245
Operating Grants and Contributions	1,578,925	1,041,105
Capital Grants and Contributions		
Total Program Receipts	3,221,483	2,799,350
<b>General Receipts:</b>		
Grants and Entitlements Not Restricted to Specific Programs	702,766	696,004
Interest	13,941	18,565
Miscellaneous	2,049	547
Total General Receipts	718,756	715,116
Total Receipts	3,940,239	3,514,466
<b>Disbursements:</b>		
<b>Instruction:</b>		
Regular	74,779	130,531
Special	985,143	876,656
<b>Support Services:</b>		
Pupils	1,422,971	1,002,499
Instructional Staff	815,683	1,007,828
Board of Education	54,918	94,503
Administration	176,369	189,671
Fiscal	99,987	95,722
Operation and Maintenance of Plant	24,568	28,271
Central	11,842	11,253
Total Disbursements	3,666,260	3,436,934
Increase in Net Assets	273,979	77,532
Net Assets, July 1, 2009	1,280,912	1,203,380
Net Assets, June 30, 2010	\$1,554,891	\$1,280,912

For fiscal year 2010, the Educational Service Center's primary receipts were intergovernmental grants and contributions, which accounted for 59 percent of the total cash received during the year. The increase in intergovernmental grants and contributions was due mostly to an increase in Title VI-B Grant funding from the American Recovery and Reinvestment Act. Charges for services to the area school districts accounted for about 40 percent of the total cash received during the year. The other one percent was made up of interest and miscellaneous receipts.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

Pupil Support Services accounted for approximately 39 percent of total cash disbursements. Special Instruction programs accounted for 27 percent of total cash disbursements. Instructional Staff Support Services accounted for another 22 percent.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major activities of the Educational Service Center. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the Educational Service Center that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3, along with comparative information for fiscal year 2009. That is, it identifies the cost of these services supported by unrestricted State entitlements and investment earnings.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services FY 10</b>	<b>Net Cost of Services FY 10</b>	<b>Total Cost Of Services FY 09</b>	<b>Net Cost of Services FY 09</b>
<b>Instruction:</b>				
Regular	\$ 74,779	(\$ 12,862)	\$ 130,531	(\$ 70,748)
Special	985,143	170,206	876,656	223,400
<b>Support Services:</b>				
Pupil	1,422,971	(244,750)	1,002,499	(237,374)
Instructional Staff	815,683	191,604	1,007,828	385,602
Board of Education	54,918	30,813	94,503	31,614
Administration	176,369	176,369	189,671	189,671
Fiscal	99,987	99,987	95,722	79,722
Operation and Maintenance of Plant	24,568	24,568	28,271	27,444
Central	11,842	8,842	11,253	8,253
Total Expenses	<u>\$3,666,260</u>	<u>\$444,777</u>	<u>\$3,436,934</u>	<u>\$637,584</u>

Charges for services, operating grants, and capital grants of about 82 percent of total cash receipts were received and used to fund the expenses of the Educational Service Center. The remaining 18 percent of cash receipts were from unrestricted State entitlements, investment earnings and miscellaneous receipts. The Educational Service Center relies on these receipts to furnish the services it provides to area school districts and students.

***The Educational Service Center's Funds***

All funds of the Educational Service Center are governmental funds. Total funds cash receipts were \$3,940,239 and total fund disbursements were \$3,666,260 for fiscal year 2010. The greatest change within the funds occurred in the Permanent Improvement Fund which had an increase of \$150,000 in fund balance due to a transfer from the General Fund. The transfer was made to set aside future needs of Darke Co. ESC. The fund balance of the General Fund increased \$113,622 due to an elimination of Special Education Supervisor position. The Title VI-B Fund had an increase in intergovernmental receipts and disbursements due to an increase in funding for this grant from American Recovery and Reinvestment Act Funds.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Capital Assets**

The Educational Service Center tracks its capital assets on the State EIS system. At June 30, 2010, the book value of the capital assets was \$707,232.

**Current Issues**

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. To help sustain financial health, Darke County ESC seeks to bring in services to educational institutions outside of Darke County. Cash disbursements are scrutinized carefully and are paid out of grants if they are within the grant guidelines to keep General Fund disbursements in line with receipts.

**Contacting the Educational Service Center's Financial Management**

This financial report is designed to provide our citizens with a general overview of the Educational Service Center's finances and to reflect the Educational Service Center's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Emiko Augsburger, Treasurer, Darke County Educational Service Center, 5279 Education Drive, Greenville, Ohio 45331 or e-mail at [Dk\\_treas@mdeca.org](mailto:Dk_treas@mdeca.org).

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**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
June 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash, Cash Equivalents and Investments	\$1,554,891
Total Assets	<u>1,554,891</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Outlay	654,984
Other Purposes	289,527
Unrestricted	610,380
Total Net Assets	<u>\$1,554,891</u>

*See accompanying notes to the basic financial statements.*

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$74,779	\$87,641		\$12,862
Special	985,143	611,259	\$203,678	(170,206)
<b>Support Services:</b>				
Pupil	1,422,971	515,213	1,152,508	244,750
Instructional Staff	815,683	404,340	219,739	(191,604)
Board of Education	54,918	24,105		(30,813)
Administration	176,369			(176,369)
Fiscal	99,987			(99,987)
Operation and Maintenance of Plant	24,568			(24,568)
Central	11,842		3,000	(8,842)
Total Governmental Activities	<u>3,666,260</u>	<u>1,642,558</u>	<u>1,578,925</u>	<u>(444,777)</u>
<b>General Receipts:</b>				
Grants and Entitlements Not Restricted to Specific Programs				702,766
Interest				13,941
Miscellaneous				2,049
Total General Receipts				<u>718,756</u>
Change in Net Assets				273,979
Net Assets Beginning of Year				<u>1,280,912</u>
Net Assets End of Year				<u><u>\$1,554,891</u></u>

See accompanying notes to the basic financial statements.



**EDUCATIONAL SERVICE CENTER**  
**DARKE COUNTY**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

	<u>General</u>	<u>Title VI-B</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash, Cash Equivalents and Investments	\$610,380	\$47,530	\$654,984	\$241,997	\$1,554,891
<b>Fund Balances:</b>					
Reserved for Encumbrances	7,966	5,624		12,468	26,058
<b>Unreserved:</b>					
<b>Undesignated, Reported in:</b>					
General Fund	602,414				602,414
Special Revenue Funds		41,906		229,529	271,435
Capital Projects Funds			654,984		654,984
Total Fund Balances	<u>\$610,380</u>	<u>\$47,530</u>	<u>\$654,984</u>	<u>\$241,997</u>	<u>\$1,554,891</u>

See accompanying notes to the basic financial statements.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Title VI-B</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Intergovernmental	\$702,766	\$1,372,033		\$204,295	\$2,279,094
Interest	13,941				13,941
Tuition and Fees				86,212	86,212
Extracurricular Activities				7,601	7,601
Customer Sales and Services	1,501,334			25,012	1,526,346
Miscellaneous	2,049			24,996	27,045
Total Receipts	<u>2,220,090</u>	<u>1,372,033</u>		<u>348,116</u>	<u>3,940,239</u>
<b>Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular				74,779	74,779
Special	772,273	125,406		87,464	985,143
<b>Support Services:</b>					
Pupil	264,202	1,156,738		2,031	1,422,971
Instructional Staff	549,492	89,877		176,314	815,683
Board of Education	54,918				54,918
Administration	176,369				176,369
Fiscal	99,987				99,987
Operation and Maintenance of Plant	24,568				24,568
Central	8,842			3,000	11,842
Total Disbursements	<u>1,950,651</u>	<u>1,372,021</u>		<u>343,588</u>	<u>3,666,260</u>
Excess of Revenues Over Expenditures	269,439	12		4,528	273,979
<b>Other Financing Sources (Uses):</b>					
Transfers In			\$150,000		150,000
Transfers Out	(150,000)				(150,000)
Advances In				5,817	5,817
Advances Out	(5,817)				(5,817)
Total Other Financing Sources (Uses)	<u>(155,817)</u>		<u>150,000</u>	<u>5,817</u>	
Net Change in Fund Balances	113,622	12	150,000	10,345	273,979
Fund Balances Beginning of Year	<u>496,758</u>	<u>47,518</u>	<u>504,984</u>	<u>231,652</u>	<u>1,280,912</u>
Fund Balances End of Year	<u>\$610,380</u>	<u>\$47,530</u>	<u>\$654,984</u>	<u>\$241,997</u>	<u>\$1,554,891</u>

See accompanying notes to the basic financial statements.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE EDUCATIONAL SERVICE CENTER AND REPORTING ENTITY**

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

The Educational Service Center operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The Educational Service Center has 14 support staff employees, 34 certified teaching personnel and 4 administrative employees that provide services to the local, exempted village and city school districts.

**Reporting Entity**

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

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

The Educational Service Center participates in three jointly governed organizations and two insurance purchasing pools. These organizations are discussed in Notes 8 and 9 to the basic financial statements. These organizations are:

**Jointly Governed Organizations:**

- Metropolitan Dayton Educational Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Miami Valley Career Technology Center

**Insurance Purchasing Pools:**

- Ohio School Board Association Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the Educational Service Center chooses to prepare its financial statements and notes in accordance with the cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The Educational Service Center recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

**A. Fund Accounting**

The Educational Service Center uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Educational Service Center functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. All of the Educational Service Center's funds are governmental funds.

The following are the Educational Service Center's major funds:

**General Fund** - The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

**Title VI-B Fund** – The Title VI-B Fund accounts for a grant to assist in providing an appropriate public education to all children with disabilities.

**Permanent Improvement Fund** – The Permanent Improvement Fund accounts for all transactions related to the acquiring, constructing, or improving of permanent improvements.

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

**B. Basis of Presentation**

The Educational Service Center's basic financial statements consist of a government-wide statement of net assets and a statement of activities, and fund financial statements providing more detailed financial information.

**1. Government-wide Financial Statement of Activities**

This statement displays information about the Educational Service Center as a whole.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

The government-wide statement of activities compares disbursements with program receipts for each function of the Educational Service Center's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the Educational Service Center's general receipts.

**2. Fund Financial Statements**

Fund financial statements report detailed information about the Educational Service Center. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

**C. Cash, Cash Equivalents and Investments**

The Educational Service Center pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash, cash equivalents and investments" on the financial statements.

The Educational Service Center values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 was \$13,941, including \$8,082 assigned from other Educational Service Center funds.

For presentation on the financial statements, investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**D. Inventory and Prepaid Items**

On the cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**E. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**F. Compensated Absences**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Educational Service Center's cash basis of accounting.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**G. Fund Balance Reserves**

The Educational Service Center reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances.

**H. Net Assets**

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The Educational Service Center first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**I. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**J. Budgetary Data**

The Educational Service Center adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. The appropriations may be amended or supplemented throughout the year as circumstances warrant. All funds are appropriated.

**1. Appropriations**

The annual appropriation resolution is enacted by the Governing Board of the Educational Service Center. The Governing Board has elected the legal level of control for appropriations to be at the fund 2-digit function level of expenditure for the General Fund and at the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center. Budgetary controls implemented by the Educational Service Center require that the appropriation resolution, by fund, be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriations totals at the levels of control established by the Board. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Governing Board of the Educational Service Center. During the year, four supplemental appropriation measures were enacted.

The amounts reported as original budget in the budgetary statements reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

Formal budgetary integration is employed as a management control device during the year for all funds.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**K. Pass-Through Grants**

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the school districts within the county. For fiscal year 2010, these funds included the Title VI-B Grant and the Early Childhood Grant.

**3. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage and 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 School District, and must be purchased with the expectation that it will be held to maturity.

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

The following information discloses the risks associated with the Educational Service Center's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

**A. Deposits**

At June 30, 2010, the book balance of the Educational Service Center's deposits was \$1,554,891 and the bank balance was \$1,682,801.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$788,990 of the government's bank balance of \$1,682,801 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's agent but not in the Educational Service Center's name.

**4. PRIMARY REVENUE SOURCES**

There are two primary sources of operating revenue for the Educational Service Center. The first primary source for Educational Service Center operating dollars comes from payments made directly to the Educational Service Center by districts that have contracted with the Educational Service Center for services. These dollars are reported as charges for services. The second source is State foundation distributions. The Educational Service Center settlement report for foundation payments has three sections: paid by the State, paid by the local school districts and paid under contract by the local school districts.



**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**4. PRIMARY REVENUE SOURCES (Continued)**

**A. State Foundation Distributions – Amounts Paid by the State**

This section has four parts. The first part is entitled Special Education and includes State funding for early childhood (preschool) and gifted units as well as extended service amounts for teachers involved in cooperative units. The extended service amounts received from the State will eventually be recovered by the State from the districts that are part of the cooperative agreement.

The second part of this section is the per pupil amount. This amount is provided by the State. It is currently calculated by multiplying the ADM (as defined in Section 3317.11, R.C.) of the local districts within the limits of the Educational Service Center's territory times \$35.50. The Educational Service Center also receives a per pupil amount for city and exempted village districts with which it had entered into a contract by January 1, 1997.

The third represents supervisory extended service amounts associated with co-op units. This amount will be recovered by the State from the districts that are parties to the cooperative agreement.

The final part of this section is the guarantee amount paid to the Educational Service Centers serving less than 10,000 students or to an Educational Service Center that otherwise would have experienced reduction in State funding because a local district has changed status to a city district.

The amounts paid by the State for co-op extended service and recovered from the participating districts are reported as charges for services. The other money distributed within this section is State money appropriately recorded as unrestricted grants-in-aid.

**B. State Foundation Distributions – Amounts Paid by the Locals.**

This section has three parts. The first part is the amount paid by the districts for supervisors, the second part is the per pupil amount paid by the districts and the third part is the extended service amounts paid by the districts for units that are not being provided under a co-op agreement. Each school district's per pupil amount is determined by multiplying the average daily membership of the district (the total number of students enrolled) by \$6.50 or \$9.50. These amounts are withheld by the State from the participating districts. These amounts are reported as charges for services.

**C. State Foundation Distributions – Amounts Paid under Contract by Locals**

This section has only one part. It represents amounts due to the Educational Service Center for services provided under contract with participating districts which the Educational Service Center is having the State collect on its behalf. This amount is withheld by the State from the participating districts. These amounts also represent charges for services.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**5. RISK MANAGEMENT**

**A. Property and Liability**

The Educational Service Center has obtained commercial insurance for the following risks:

Building and Contents – replacement cost	\$1,201,255
Automobile Liability	1,000,000
General Liability	1,000,000
Computer Liability	136,800
Legal Liability	1,000,000

There has been no significant reduction in insurance coverage from last fiscal year.

**B. Workers' Compensation**

For fiscal year 2010, the Educational Service Center participated in the Ohio School Board Association Workers' Compensation group rating plan, an insurance purchasing pool (Note 9). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to those that can meet the GRP's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2010, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 9). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating educational service center and school districts is calculated and a premium rate is applied to all in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to educational service centers and school districts that can meet the MBP's selection criteria.

**D. Other Insurance Benefits**

The Educational Service Center provides life insurance and accidental death and dismemberment insurance to most employees through CoreSource, Inc. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (Note 9).

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. PENSION PLANS**

**A. State Teachers Retirement System**

The Educational Service Center participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS website at [www.strs.oh.org](http://www.strs.oh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations; the same portion that was used to fund pension obligations for fiscal year 2009. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Educational Service Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$244,459, \$233,716, and \$222,373 respectively; 100 percent has been contributed for all three years. Contributions to the DC and Combined Plans for fiscal year 2010 were \$3,480 made by the Educational Service Center and \$4,872 made by the plan members.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. PENSION PLANS (Continued)**

**B. School Employees Retirement System**

The Educational Service Center contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at [ohsers.org](http://ohsers.org) under forms and publications.

For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salary and the Educational Service Center was required to contribute at an actuarially determined rate of 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$47,287, \$35,138, and \$30,798, respectively; 100 percent has been contributed for all three years.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**7. POSTEMPLOYMENT BENEFITS**

The Educational Service Center provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2010, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Educational Service Centers contributions for the fiscal years ended June 30, 2010, 2009, and 2008, were \$18,805, \$17,978, and \$17,106, which equaled the required contributions.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS (Continued)**

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009, (the latest information available) the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

SERS administers two postemployment benefit plans – the Medicare Part B Plan and the Health Care Plan. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was .76%. The Educational Service Center's contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,812, \$2,899, and \$2,219, which equaled the required contributions for the fiscal years.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides statutory authority to SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Healthcare Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the remainder of the employer's 14 percent contribution is allocated to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation was .46 percent of covered payroll.

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 2009, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the fiscal years ending June 30, 2010, 2009 and 2008 were \$7,535, \$20,481, and \$18,454.

The SERS Retirement Board establishes rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health care and Medicare B Plans are included in its stand-alone report. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Dayton Educational Cooperative Association**

The Educational Service Center is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public schools within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member schools. The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Payments made to MDECA were made from the General Fund in the amount of \$19,377 for data processing services during fiscal year 2009. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**B. Southwestern Ohio Educational Purchasing Council**

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2010, the Educational Service Center paid \$6,400 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio

**C. Miami Valley Career Technology Center**

The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from seventeen of the twenty-six participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city, local, and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, Huber Heights, Trotwood-Madison, Carlisle, Eaton, Versailles, Northmont, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from each of the following Educational Service Centers: Miami, Preble and Darke.

The Educational Service Center did not make any payments to the Miami Valley Career Technology Center during fiscal year 2010. To obtain financial information, write to the Miami Valley Career Technology Center, Deborah Gossett, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**DARKE COUNTY EDUCATIONAL SERVICE CENTER  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. GROUP INSURANCE PURCHASING POOL**

**A. Ohio School Board Association Workers' Compensation Group Rating Plan**

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

**B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**10. CONTINGENCIES**

The Educational Service Center receives 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2010.

**11. OTHER EMPLOYEE BENEFITS**

Employees may elect to participate in the Great American Plan Administrators Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

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**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR END JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$685,606	\$685,606	\$702,766	\$17,160
Interest	14,000	14,000	13,941	(59)
Charges for Services	1,364,472	1,364,472	1,501,334	136,862
Miscellaneous			2,049	2,049
Total Revenues	<u>2,064,078</u>	<u>2,064,078</u>	<u>2,220,090</u>	<u>156,012</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Special	917,441	917,441	772,584	144,857
<b>Support Services:</b>				
Pupil	351,295	351,295	264,257	87,038
Instructional Staff	648,089	648,089	549,567	98,522
Board of Education	91,361	91,361	61,943	29,418
Administration	183,575	183,575	176,369	7,206
Fiscal	106,821	106,821	99,987	6,834
Operation and Maintenance of Plant	63,000	63,000	25,068	37,932
Central	11,000	11,000	8,842	2,158
Total Expenditures	<u>2,372,582</u>	<u>2,372,582</u>	<u>1,958,617</u>	<u>413,965</u>
Excess of Revenues Over (Under) Expenditures	(308,504)	(308,504)	261,473	569,977
<b>Other Financing Uses:</b>				
Transfers Out	(25,000)	(150,000)	(150,000)	
Advances Out		(6,000)	(5,817)	183
Total Other Financing Uses	<u>(25,000)</u>	<u>(156,000)</u>	<u>(155,817)</u>	<u>183</u>
Net Change in Fund Balance	(333,504)	(464,504)	105,656	570,160
Fund Balance Beginning of Year	477,147	477,147	477,147	
Prior Year Encumbrances Appropriated	19,611	19,611	19,611	
Fund Balance End of Year	<u>\$163,254</u>	<u>\$32,254</u>	<u>\$602,414</u>	<u>\$570,160</u>

See accompanying notes to the basic financial statements.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL  
TITLE VI-B FUND  
FOR THE FISCAL YEAR END JUNE 30, 2010**

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
<b>Revenues:</b>				
Intergovernmental	\$1,936,945	\$1,936,945	\$1,372,033	(\$564,912)
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Special	141,901	141,901	125,415	16,486
<b>Support Services:</b>				
Pupil	1,801,983	1,798,140	1,162,353	635,787
Instructional Staff	89,886	93,729	89,877	3,852
Total Expenditures	<u>2,033,770</u>	<u>2,033,770</u>	<u>1,377,645</u>	<u>656,125</u>
Excess of Revenues Under Expenditures	(96,825)	(96,825)	(5,612)	91,213
Fund Balance Beginning of Year	<u>47,518</u>	<u>47,518</u>	<u>47,518</u>	<u></u>
Fund Balance (Deficit) End of Year	<u><u>(\$49,307)</u></u>	<u><u>(\$49,307)</u></u>	<u><u>\$41,906</u></u>	<u><u>\$91,213</u></u>

*See accompanying notes to the basic financial statements.*

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>(Passed Through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education_Grants to States	2009	84.027	\$49,305	\$96,823
Special Education_Grants to States	2010	84.027	769,960	759,392
ARRA - Special Education_Grants to States, Recovery Act	2010	84.391	552,768	515,803
Special Education_Preschool Grant	2009	84.173	8,909	11,526
Special Education_Preschool Grant	2010	84.173	63,718	61,081
ARRA - Special Education_Preschool Grant, Recovery Act	2010	84.392	31,342	30,320
Total Special Education Cluster			<u>1,476,002</u>	<u>1,474,945</u>
School Improvement Grants	2009	84.377	<u>2,700</u>	
Total Federal Assistance			<u>\$1,478,702</u>	<u>\$1,474,945</u>

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

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARD RECEIPTS AND EXPENDITURES  
JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – SUB-RECIPIENTS**

The Educational Service Center passes-through certain Federal assistance received from the Ohio Department of Education to Darke County School Districts (sub-recipients). As Note A describes, the Educational Service Center records expenditures of Federal awards to sub-recipients when paid in cash.

As a sub-recipient, the Education Service Center has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipient achieve the award's performance goals.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Educational Service Center, Darke County, (the ESC), as of and for the year ended June 30, 2010, which collectively comprise the ESC's basic financial statements and have issued our report thereon dated November 30, 2010, wherein, we noted the ESC uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ESC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the ESC's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the ESC's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the ESC's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the ESC's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the ESC's management in a separate letter dated November 30, 2010.

The ESC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the ESC's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the entity. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 30, 2010



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of the Educational Service Center, Darke County, (the ESC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect ESC's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the ESC's major federal programs. The ESC's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the ESC'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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the ESC's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the ESC's compliance with those requirements.

In our opinion, the Educational Service Center complied, in all material respects, with the requirements to above that could directly and materially affect its major federal program for the year ended June 30, 2010.

### Internal Control Over Compliance

The ESC's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the ESC's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the ESC's internal control over compliance.

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**Internal Control Over Compliance  
(Continued)**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2010-002. *A significant deficiency in internal control over compliance*, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The ESC's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the ESC's response, and accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities, and others within the entity. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 30, 2010



**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2010**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.027/#84.391/ #84.173/84.392 Special Education Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER - 2010-001**

**Noncompliance - Financial Reporting**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**FINDING NUMBER - 2010-001  
 (Continued)**

**Ohio Adm. Code Section 117-2-03 (B)** requires the ESC to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the ESC prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the ESC may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The ESC's annual financial statements should be prepared according to generally accepted accounting principles to include assets, liabilities, equity and the disclosures required to accurately and completely present the District's financial condition.

**Official's Response:**

We have filed OCBOA (other comprehensive basis of accounting) statements for fiscal 2010 due to the Board's decision to minimize the costs associated with filing the statements on the GAAP basis.

**3. FINDING FOR FEDERAL AWARDS**

**FINDING NUMBER 2010-002**

**Significant Deficiency**

<b>CFDA Title and Number</b>	84.027 Special Education_Grants to States and 84.391 ARRA Special Education_Grants to States, Recovery Act
<b>Federal Award Year</b>	2010
<b>Federal Agency</b>	U.S. Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Federal Subrecipient/Vendor Determination and Recipient Budgeting**

The Darke County Education Service Center (ESC) is a first tier subrecipient for Special Education Grants to States (IDEA Part B), including ARRA related monies. The ESC provided centralized services for its member school districts and passed along additional monies (from ARRA), not spent for centralized services, to be spent by its local school districts. The total budget for ARRA for a two year period beginning with FY2010 was \$1,031,721 of which \$751,595 was budgeted for Support Services/Purchased Services. The total of the amount budgeted in this line item actually passed along to the local districts was \$716,495 of which \$350,395 was expended in FY2010. The ESC did not determine the level of responsibility to be assumed by the local school districts for these pass through monies, as there was no determination whether the districts would be considered vendors or sub-recipients. In addition, the ESC included all of the monies passed along to the local school districts in its grant budget under Support Services/Purchased Services instead of joining with the local districts to determine the exact allocation of the monies and budgeting in a more precise manner.

**FINDING NUMBER 2010-002  
(Continued)**

The absence of a determination of the role of the local school district (vendor or subrecipient) receiving the aforementioned grant monies could lead to the lack of compliance with various grant requirements and/or a misunderstanding of the level of responsibility assumed by the parties involved in the grant transactions. Also the role of each participant would directly impact the budgetary process for the grant applications and reporting purpose.

**Official's Response:**

The purpose of the ESC being the first tier sub recipient was to minimize the audit costs of local schools. The fund expended to local schools was the Support Services/Purchase Services to the ESC. The local schools were to budget the fund accordingly in line with the actual expenditures.

**EDUCATIONAL SERVICE CENTER  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	ORC Sec. 117.38 and OAC Sec. 117-2-03 (B) failure to prepare and file financial statements in accordance with generally accepted accounting principles.	No	Repeated as finding 2010-001.



**Mary Taylor, CPA**  
Auditor of State

**EDUCATIONAL SERVICE CENTER**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2011**