



**MADISON CHAMPAIGN COUNTY EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

SINGLE AUDIT

JULY 1, 1999 THROUGH JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MADISON CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Madison Champaign Educational Service Center
Champaign County
1512 South State Route 68
Suite J100
Urbana, Ohio 43078

To the Governing Board:

We have audited the accompanying general-purpose financial statements of the Madison Champaign Educational Service Center, Champaign County, (the Service Center) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Service Center, Champaign County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

As disclosed in Note # 3 to the financial statements, the Madison County Educational Service Center and Champaign County Service Center combined their operations as of July 1, 1999 to form the Madison Champaign Educational Service Center.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2001 on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Service Center, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 16, 2001

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**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
<u>Assets and Other Debits:</u>			
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,161,557	\$422,345	\$13,842
Receivables:			
Accounts	2,194	0	848
Intergovernmental	175,327	945	0
Accrued Interest	0	0	0
Prepaid Items	36,182	1,956	0
Fixed Assets	0	0	0
<u>Other Debits:</u>			
Amount to be Provided from General Governmental Resources	0	0	0
Total Assets and Other Debits	\$1,375,260	\$425,246	\$14,690
<u>Liabilities, Fund Equity, and Other Credits:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$8,066	\$6,215	\$0
Accrued Wages and Benefits	522,930	52,747	0
Compensated Absences Payable	5,645	1,571	0
Intergovernmental Payable	463,871	70,028	5
Total Liabilities	1,000,512	130,561	5
<u>Fund Equity and Other Credits:</u>			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	14,685
Fund Balance:			
Reserved for Contributions	0	0	0
Reserved for Encumbrances	1,783	858	0
Unreserved	372,965	293,827	0
Total Fund Equity and Other Credits	374,748	294,685	14,685
Total Liabilities, Fund Equity, and Other Credits	\$1,375,260	\$425,246	\$14,690

See Accompanying Notes to the General Purpose Financial Statements.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Trust and Agency			
\$32,244	\$0	\$0	\$1,629,988
0	0	0	3,042
0	0	0	176,272
22	0	0	22
0	0	0	38,138
0	447,517	0	447,517
0	0	360,417	360,417
<u>\$32,266</u>	<u>\$447,517</u>	<u>\$360,417</u>	<u>\$2,655,396</u>
\$0	\$0	\$0	\$14,281
0	0	0	575,677
0	0	339,151	346,367
30,681	0	21,266	585,851
<u>30,681</u>	<u>0</u>	<u>360,417</u>	<u>1,522,176</u>
0	447,517	0	447,517
0	0	0	14,685
1,000	0	0	1,000
0	0	0	2,641
585	0	0	667,377
<u>1,585</u>	<u>447,517</u>	<u>0</u>	<u>1,133,220</u>
<u>\$32,266</u>	<u>\$447,517</u>	<u>\$360,417</u>	<u>\$2,655,396</u>

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<u>Revenues:</u>			
Intergovernmental	\$4,214,067	\$1,380,935	\$5,595,002
Interest	61,570	0	61,570
Customer Services	1,426,422	61,725	1,488,147
Miscellaneous	50,940	4,522	55,462
Total Revenues	<u>5,752,999</u>	<u>1,447,182</u>	<u>7,200,181</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	60,885	330,503	391,388
Special	2,266,936	65,645	2,332,581
Adult/Continuing	0	26,785	26,785
Support Services:			
Pupils	1,121,469	94,653	1,216,122
Instructional Staff	1,362,577	273,303	1,635,880
Board of Education	24,114	0	24,114
Administration	499,220	353,135	852,355
Fiscal	126,367	52,468	178,835
Business	7,068	0	7,068
Operation and Maintenance of Plant	7,429	285	7,714
Pupil Transportation	585	162,844	163,429
Central	12,821	0	12,821
Extracurricular Activities	370	0	370
Intergovernmental	13,237	21,185	34,422
Total Expenditures	<u>5,503,078</u>	<u>1,380,806</u>	<u>6,883,884</u>
Excess of Revenues Over Expenditures	249,921	66,376	316,297
Fund Balances at Beginning of Year - Restated (Note 3)	<u>124,827</u>	<u>228,309</u>	<u>353,136</u>
Fund Balances at End of Year	<u>\$374,748</u>	<u>\$294,685</u>	<u>\$669,433</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental	\$3,875,670	\$4,218,965	\$343,295
Interest	32,235	64,301	32,066
Tuition and Fees	34,380	35,021	641
Customer Services	1,441,970	1,425,699	(16,271)
Miscellaneous	46,930	52,461	5,531
Total Revenues	5,431,185	5,796,447	365,262
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	201,198	174,218	26,980
Special	2,306,989	2,279,170	27,819
Adult/Continuing	0	0	0
Support Services:			
Pupils	1,123,955	1,103,236	20,719
Instructional Staff	1,448,813	1,358,999	89,814
Board of Education	43,107	32,011	11,096
Administration	621,010	528,225	92,785
Fiscal	139,083	125,866	13,217
Business	8,126	8,094	32
Operation and Maintenance of Plant	15,010	7,423	7,587
Pupil Transportation	596	30	566
Central	21,997	14,650	7,347
Extracurricular Activities	5,719	370	5,349
Total Expenditures	5,935,603	5,632,292	303,311
Excess of Revenues Over (Under) Expenditures	(504,418)	164,155	668,573
<u>Other Financing Sources (Uses):</u>			
Refund of Prior Year Expenditures	4,739	8,715	3,976
Other Financing Sources	0	0	0
Other Financing Uses	(92,617)	0	92,617
Advances In	0	2,468	2,468
Advances Out	0	0	0
Operating Transfers Out	(3,690)	0	3,690
Total Other Financing Sources (Uses)	(91,568)	11,183	102,751
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(595,986)	175,338	771,324
Fund Balances at Beginning of Year	976,894	976,894	0
Prior Year Encumbrances Appropriated	4,770	4,770	0
Fund Balances at End of Year	\$385,678	\$1,157,002	\$771,324

See Accompanying Notes to the General Purpose Financial Statements.

Special Revenue			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,882,231	\$1,383,419	(\$498,812)	\$5,757,901	\$5,602,384	(\$155,517)
0	0	0	32,235	64,301	32,066
0	0	0	34,380	35,021	641
72,000	62,865	(9,135)	1,513,970	1,488,564	(25,406)
0	0	0	46,930	52,461	5,531
<u>1,954,231</u>	<u>1,446,284</u>	<u>(507,947)</u>	<u>7,385,416</u>	<u>7,242,731</u>	<u>(142,685)</u>
718,415	339,225	379,190	919,613	513,443	406,170
107,564	64,268	43,296	2,414,553	2,343,438	71,115
48,332	26,828	21,504	48,332	26,828	21,504
189,501	137,264	52,237	1,313,456	1,240,500	72,956
511,474	242,025	269,449	1,960,287	1,601,024	359,263
0	0	0	43,107	32,011	11,096
463,837	346,061	117,776	1,084,847	874,286	210,561
73,884	57,540	16,344	212,967	183,406	29,561
0	0	0	8,126	8,094	32
610	610	0	15,620	8,033	7,587
176,438	166,604	9,834	177,034	166,634	10,400
0	0	0	21,997	14,650	7,347
0	0	0	5,719	370	5,349
<u>2,290,055</u>	<u>1,380,425</u>	<u>909,630</u>	<u>8,225,658</u>	<u>7,012,717</u>	<u>1,212,941</u>
<u>(335,824)</u>	<u>65,859</u>	<u>401,683</u>	<u>(840,242)</u>	<u>230,014</u>	<u>1,070,256</u>
0	0	0	4,739	8,715	3,976
5,333	4,523	(810)	5,333	4,523	(810)
0	0	0	(92,617)	0	92,617
0	0	0	0	2,468	2,468
(2,468)	(2,468)	0	(2,468)	(2,468)	0
0	0	0	(3,690)	0	3,690
<u>2,865</u>	<u>2,055</u>	<u>(810)</u>	<u>(88,703)</u>	<u>13,238</u>	<u>101,941</u>
(332,959)	67,914	400,873	(928,945)	243,252	1,172,197
308,403	308,403	0	1,285,297	1,285,297	0
42,185	42,185	0	46,955	46,955	0
<u>\$17,629</u>	<u>\$418,502</u>	<u>\$400,873</u>	<u>\$403,307</u>	<u>\$1,575,504</u>	<u>\$1,172,197</u>

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
<u>Operating Revenues:</u>			
Sales	\$21,643	\$0	\$21,643
Interest	0	69	69
Tuition and Fees	848	0	848
Total Operating Revenues	<u>22,491</u>	<u>69</u>	<u>22,560</u>
<u>Operating Expenses:</u>			
Salaries	6,643	0	6,643
Fringe Benefits	443	0	443
Purchased Services	2,000	0	2,000
Materials and Supplies	3,557	0	3,557
Other Operating Expenses	784	100	884
Total Operating Expenses	<u>13,427</u>	<u>100</u>	<u>13,527</u>
Net Income (Loss)	9,064	(31)	9,033
Retained Earnings/Fund Balance at Beginning of Year - Restated (Note 3)	<u>5,621</u>	<u>1,616</u>	<u>7,237</u>
Retained Earnings/Fund Balance at End of Year	<u>\$14,685</u>	<u>\$1,585</u>	<u>\$16,270</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Sales	\$15,000	\$21,643	\$6,643
Interest	0	0	0
Total Revenues	<u>15,000</u>	<u>21,643</u>	<u>6,643</u>
<u>Expenses:</u>			
Salaries	12,269	6,643	5,626
Fringe Benefits	751	551	200
Purchased Services	2,000	2,000	0
Materials and Supplies	2,440	1,877	563
Capital Outlay	984	1,680	(696)
Other Expenses	2,000	784	1,216
Total Expenses	<u>20,444</u>	<u>13,535</u>	<u>6,909</u>
Excess of Revenues Over (Under) Expenses	(5,444)	8,108	13,552
Fund Balances at Beginning of Year	<u>5,734</u>	<u>5,734</u>	<u>0</u>
Fund Balances at End of Year	<u>\$290</u>	<u>\$13,842</u>	<u>\$13,552</u>

See Accompanying Notes to the General Purpose Financial Statements.

<u>Non-Expendable Trust Fund</u>			<u>Totals (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$0	\$0	\$15,000	\$21,643	\$6,643
0	62	62	0	62	62
0	62	62	15,000	21,705	6,705
0	0	0	12,269	6,643	5,626
0	0	0	751	551	200
0	0	0	2,000	2,000	0
0	0	0	2,440	1,877	563
0	0	0	984	1,680	(696)
100	100	0	2,100	884	1,216
100	100	0	20,544	13,635	6,909
(100)	(38)	62	(5,544)	8,070	13,614
1,601	1,601	0	7,335	7,335	0
<u>\$1,501</u>	<u>\$1,563</u>	<u>\$62</u>	<u>\$1,791</u>	<u>\$15,405</u>	<u>\$13,614</u>

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NON-EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$21,643	\$0	\$21,643
Cash Payments for Salaries	(6,643)	0	(6,643)
Cash Payments for Fringe Benefits	(551)	0	(551)
Cash Payments to Suppliers for Goods and Services	(4,661)	0	(4,661)
Cash Payments for Other Expenses	(1,680)	(100)	(1,780)
Net Cash Provided by (Used for) Operating Activities	8,108	(100)	8,008
<u>Cash Flows from Investing Activities:</u>			
Cash Received from Interest	0	62	62
Net Increase (Decrease) in Cash and Cash Equivalents	8,108	(38)	8,070
Cash and Cash Equivalents at Beginning of Year	5,734	1,601	7,335
Cash and Cash Equivalents at End of Year	\$13,842	\$1,563	\$15,405
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$9,064	(\$31)	\$9,033
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Interest Reported as Operating Income	0	(69)	(69)
<u>Changes in Assets and Liabilities:</u>			
Increase in Accounts Receivable	(848)	0	(848)
Decrease in Intergovernmental Payable	(108)	0	(108)
Net Cash Provided by (Used for) Operating Activities	\$8,108	(\$100)	\$8,008
<u>Reconciliation of Non-Expendable Trust Fund Cash and Cash Equivalents to Balance Sheet:</u>			
All Fiduciary Fund Types		\$32,244	
Less Agency Fund		(30,681)	
Cash and Cash Equivalents - Non-Expendable Trust Fund		\$1,563	

See Accompanying Notes to the General Purpose Financial Statements.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. REPORTING ENTITY

The Madison-Champaign Educational Service Center (the "Educational Service Center") is located in Urbana, Ohio, the Champaign County seat. The Educational Service Center supplies supervisory, special education, administrative, and other services to the Graham, Jefferson, Jonathan Alder, Madison Plains, West Liberty-Salem, and Triad Local School Districts; Mechanicsburg Exempted Village School District; and London and Urbana City School Districts. The Educational Service Center furnishes leadership and consulting services designed to strengthen these school districts in areas they are unable to finance or staff independently.

On July 1, 1999, the Madison County Educational Service Center and Champaign County Educational Service Center merged to create the Madison-Champaign Educational Service Center. The five elected board members of each Educational Service Center formed the new Board and served their terms until December 31, 1999. At that time, the Educational Service Center appointed a Board of Education consisting of five of the ten elected members of the combined board. In the future, the Board will be made up of five elected members. The Educational Service Center has eighty classified employees and one hundred five certified employees who provide services to the local, exempted village, and city school districts.

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Educational Service Center. For the Madison-Champaign Educational Service Center, this includes general operations and an early childhood program.

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. There are no component units of the Educational Service Center.

The Educational Service Center is associated with two jointly governed organizations and an insurance pool. These organizations are the Western Ohio Computer Organization, West Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 15 and 16 to the general purpose financial statements.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

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

Enterprise Fund

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

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the Educational Service Center in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Educational Service Center's fiduciary funds include a non-expendable trust fund and an agency fund. The non-expendable trust fund is accounted for in essentially the same manner as proprietary funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the Educational Service Center.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the Educational Service Center, except those accounted for in the enterprise fund.

B. Measurement Focus and Basis of Accounting

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

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The enterprise fund and non-expendable trust fund are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental fund types and the agency fund. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Educational Service Center is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, interest, tuition, fees, and customer services.

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

The accrual basis of accounting is utilized for reporting purposes by the enterprise fund and the non-expendable trust fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

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

The Educational Service Center legally adopts its budget for all funds, other than the agency fund, 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 Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised and accepted by the Board to include any unencumbered cash balances from the preceding fiscal year. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

1. Appropriations

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Educational Service Center may pass a temporary appropriation measure to meet the ordinary expenditures of the Educational Service Center.

The appropriation resolution, by fund, must be within the estimated resources, and the total of expenditures and encumbrances may not exceed the appropriation totals at 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 Educational Service Center's Board.

The Educational Service 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 statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except the agency fund, 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 fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise fund.

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.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

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

During fiscal year 2000, investments were limited to nonnegotiable certificate of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

The Educational Service Center allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2000 was \$61,570, which included \$20,530 assigned from other Educational Service Center funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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 are reported as investments.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

F. 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 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 reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Educational Service Center maintains a capitalization threshold of three hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The Educational Service Center does not have any infrastructure. Assets in the general fixed assets account group are not depreciated.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Educational Service Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Educational Service Center's termination policy. The Educational Service Center records a liability for accumulated unused sick leave for all employees after ten years of service with the Educational Service Center.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available 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.

H. Accrued Liabilities and Long-Term Obligations

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

I. Fund Balance Reserves

The Educational Service Center records reservations for portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not appropriable for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for contributions to the non-expendable trust fund and encumbrances.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues 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. Grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Entitlements

General Fund

State Foundation Program

Reimbursable Grants

Special Revenue Fund

School Bus Driver Training Program

Non-Reimbursable Grants

Special Revenue Funds

Local Professional Development
Early Childhood
Peer Assistance and Review
Education Management Information Systems
Public School Preschool
Entry Year
SchoolNet Professional Development
Alternative School
School Improvement Facilitator
Scanning
Adult Basic Education
Eisenhower
Title VI-B
Title I
School Age Child Care
Preschool Handicapped
Technical Assistance

Grants and entitlements amounted to approximately 72 percent of the Educational Service Center's revenues during the 2000 fiscal year.

K. Flow-Through Grants

The Educational Service Center is the primary recipient of grants which are passed through or spent on behalf of the local, exempted village, and city school districts. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in the General Fund and a special revenue fund. For fiscal year 2000, these activities included the Entry Year Program and the Eisenhower special revenue fund.

L. 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.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Use of Estimates

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

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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. RESTATEMENT OF FUND EQUITY

The governing boards of the Madison County Educational Service Center and the Champaign County Educational Service Center determined that combining their operations would comply with the requirements of Am. Sub. House Bill No. 117 Section 45.32. The new organization operates as the Madison-Champaign Educational Service Center and was formed on July 1, 1999. All assets and liabilities of the Madison County and Champaign County Educational Service Centers were assumed by the new organization.

Beginning fund balances/retained earnings were as follows:

Fund Type/Fund Account Group	Madison County Previously Stated Balance at 6/30/99	Champaign County Previously Stated Balance at 6/30/99	Beginning Balance at 7/1/99
Governmental			
General	\$10,732	\$114,095	\$124,827
Special Revenue	5,521	222,788	228,309
Proprietary			
Enterprise	0	5,621	5,621
Fiduciary			
Non-Expendable Trust	1,616	0	1,616
Account Group			
General Fixed Assets	89,694	248,026	337,720
General Long-Term Obligations	225,667	205,163	430,830

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2000, the Public School Preschool and Title I special revenue funds had deficit fund balances of \$5,267 and \$4,515, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The following accounts had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2000.

Fund Type/Fund/Function/Object	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
Special			
Salaries	\$1,675,480	\$1,690,075	\$14,595
Pupils			
Salaries	899,610	906,905	7,295
Administration			
Fringe Benefits	71,712	72,390	678
Special Revenue Fund			
Public School Preschool			
Fiscal			
Salaries	6,665	6,995	330

The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2000.

Fund Type/Fund	Estimated Resources	Appropriations Plus Carryover Encumbrances	Excess
Special Revenue Funds			
Public School Preschool	\$665,193	\$681,393	\$16,200
Eisenhower	35,116	35,632	516
School Age Child Care	318	2,778	2,460

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).

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

Excess of Revenues and Other Financing Sources
Over Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue
GAAP Basis	\$249,921	\$66,376
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 1999, Received in Cash FY 2000	243,251	11,660
Accrued FY 2000, Not Yet Received in Cash	(177,521)	(945)
Expenditure Accruals:		
Accrued FY 1999, Paid in Cash FY 2000	(1,112,767)	(137,998)
Accrued FY 2000, Not Yet Paid in Cash	1,000,512	130,561
Cash Adjustments: Unrecorded Activity FY 2000	(\$144)	\$0
Prepaid Items	(25,971)	4,571
Advances In	2,468	
Advances Out	0	(2,468)
Encumbrances Outstanding at Year End (Budget Basis)	(4,411)	(3,843)
Budget Basis	\$175,338	\$67,914

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Income (Loss)/Excess of Revenues Over (Under) Expenses Enterprise Fund and Non-Expendable Trust Fund	
	Enterprise	Non-Expendable Trust
GAAP Basis	\$9,064	(\$31)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 1999, Received in Cash FY 2000	0	15
Accrued FY 2000, Not Yet Received in Cash	(848)	(22)
Expense Accruals:		
Accrued FY 1999, Paid in Cash FY 2000	(113)	0
Accrued FY 2000, Not Yet Paid in Cash	5	0
Budget Basis	\$8,108	(\$38)

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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;

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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Educational Service Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the Educational Service Center had \$25 in undeposited cash on hand which is included on the balance sheet of the Educational Service Center as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the Educational Service Center's deposits was (\$4,169) and the bank balance was \$530,261. Of the bank balance, \$252,933 was covered by federal depository insurance and \$277,328 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the FDIC.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The Educational Service Center's investments are categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the fair value of funds on deposit with STAR Ohio was \$1,634,132.

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$1,629,988	\$0
Cash on Hand	(25)	0
Investments:		
STAR Ohio	(1,634,132)	1,634,132
GASB Statement No. 3	(\$4,169)	\$1,634,132

7. STATE FUNDING

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

Part (B) of the budget is provided by the school districts to which the Educational Service Center provides services and by the State Department of Education. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's School Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all the school districts served by the Educational Service Center by \$36. This amount is provided from State resources.

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

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. RECEIVABLES

Receivables at June 30, 2000, consisted of accounts and intergovernmental receivables. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of federal funds. Accounts receivable at June 30 were \$3,042.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Customer Services	\$175,327
Special Revenue Fund	
School Bus Driver Training Program	
Customer Services	945
Total Intergovernmental Receivables	\$176,272

9. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

Asset Category	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Furniture and Equipment	\$281,776	\$104,205	\$4,213	\$381,768
Vehicles	55,944	9,805	0	65,749
Totals	\$337,720	\$114,010	\$4,213	\$447,517

10. RISK MANAGEMENT

The Educational Service Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the Educational Service Center contracted for the following insurance converges:

Coverages provided by Nationwide Insurance are as follows:

Buildings and Contents - replacement cost (\$100 deductible)	\$1,000,000
Automobile Liability (\$200 deductible)	500,000
Uninsured Motorist (\$200 deductible)	500,000
General Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000

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

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

For fiscal year 2000, the Educational Service Center participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The Educational Service Center contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Educational Service Center is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. 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 Educational Service Center's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$215,545, \$385,482, and \$418,477, respectively; nothing has been contributed for fiscal year 2000 and 100 percent has been contributed for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000, in the amount of \$215,545, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The Educational Service Center contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan 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.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 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 Educational Service Center's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$97,860, \$86,900, and \$84,816, respectively; 100 percent has been contributed for all three fiscal 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 State Teachers Retirement System/School Employees Retirement System. As of June 30, 2000, two of the board of education members has elected Social Security. The board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Educational Service Center, this amount equaled \$287,393 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

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, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. For the Educational Service Center, the amount to fund health care benefits, including the surcharge, was \$118,254 for fiscal year 2000.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days. Upon retirement, employees with five to ten years of service are paid for one-fifth of accrued, but unused sick leave credit to a maximum of forty days, and employees with over ten years of service are paid for one-fourth of accrued, but unused sick leave credit to a maximum of fifty days.

B. Health Care Benefits

The School District provides health insurance and prescription drug benefits through Anthem Blue Cross Blue Shield. Vision insurance is provided through Vision Service Plan, dental insurance through Anthem Blue Cross Blue Shield, and life insurance through CoreSource, Anthem Blue Cross Blue Shield, and Community National Assurance. Insurance premiums vary with each employee depending on marital and family status.

14. LONG-TERM OBLIGATIONS

The changes in the Educational Service Center's long-term obligations during the fiscal year 2000 were as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Compensated Absences Payable	\$407,076	\$0	\$67,925	\$339,151
Intergovernmental Payable	23,754	21,266	23,754	21,266
Total Long-Term Obligations	<u>\$430,830</u>	<u>\$21,266</u>	<u>\$91,679</u>	<u>\$360,417</u>

Compensated absences and intergovernmental payables, representing the Educational Service Center's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The Educational Service Center is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of educational entities 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 members. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter members within each county. Financial information can be obtained from Sonny Ivey, who serves as Director, 129 East Court Street, Sidney, Ohio 45365.

B. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating members, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating member is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

16. INSURANCE POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as 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 GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

17. SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the Educational Service Center. During the fiscal year ended June 30, 2000, the Educational Service Center received \$1,659,292 of school foundation support for its General Fund.

**MADISON-CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

17. SCHOOL FUNDING (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the Educational Service Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

18. CONTINGENCIES

A. Grants

The Educational Service Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Educational Service Center at June 30, 2000.

B. Litigation

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

**MADISON CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed Through Ohio Department of Education				
National School Lunch Program	03-PU-99	10.555	\$752	\$752
	03-PU-00		1,560	1,560
	04-PU-99		6,399	6,399
	04-PU-00		<u>11,882</u>	<u>11,882</u>
Total National School Lunch Program			20,593	20,593
Total U.S. Department of Agriculture			20,593	20,593
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed Through Ohio Department of Education:				
Special Education Cluster:				
Special Education Grants to States	6B-SP-99	84.027	0	7,772
	6B-SP-00		<u>189,443</u>	<u>160,423</u>
Total Special Education Grants to States			189,443	168,195
Special Education Preschool Grants	PG-S1-99	84.173	<u>66,125</u>	<u>48,937</u>
Total Special Education Cluster			255,568	217,132
Title I	C1-ST-99	84.010	29,700	52,218
	C1-ST-00		<u>141,300</u>	<u>131,027</u>
Total Title I			171,000	183,245
Goals 2000	G2-SP-99	84.276	0	108,609
	G2-S9-00		<u>45,000</u>	<u>28,780</u>
Total Goals 2000			45,000	137,389
Eisenhower Professional Development Grant	MS-S1-99	84.281	0	1,286
	MS-S1-00		<u>17,823</u>	<u>13,108</u>
Total Eisenhower Professional Development Grant			17,823	14,394
School Age Child Care	DC-S1-99	93.575	9,550	9,550
(Passed through Ohio High Point JVS)				
Adult Basic Education	ABLE 98-99	84.002	0	1,217
	ABLE 99-00		<u>13,000</u>	<u>13,000</u>
Total Adult Basic Education			13,000	14,217
Total U.S. Department of Education			<u>511,941</u>	<u>575,927</u>
Total Federal Financial Assistance			<u>\$532,534</u>	<u>\$596,520</u>

See Accompanying Notes to the Schedule of Award Expenditures.

**MADISON CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND
EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

Madison Champaign Educational Service Center
Champaign County
1512 South State Route 68
Suite J100
Urbana, Ohio 43078

To the Governing Board:

We have audited the financial statements of Madison Champaign Educational Service Center, Champaign County, (the Service Center), as of and for the year ended June 30, 2000, and have issued our report thereon dated February 16, 2001 in which we noted that on July 1, 1999 two previously existing educational service centers combined to form the Madison Champaign Educational Service Center. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Service Center in a separate letter dated February 16, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Service Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10311-001.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted certain matters involving the internal controls over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated February 16, 2001.

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

Jim Petro
Auditor of State

February 16, 2001



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

Madison Champaign Educational Service Center
Champaign County
1512 South State Route 68
Suite J100
Urbana, Ohio 43078

To the Governing Board:

Compliance

We have audited the compliance of Madison Champaign Educational Service Center, Champaign County, (the Service Center), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Service Center's management. Our responsibility is to express an opinion on the Service Center's compliance based on our audit.

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

In our opinion, the Service Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

We noted a matter 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 Service 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 as item 2000-10311-002.

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 do not believe the reportable condition described above is a material weakness.

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

Jim Petro
Auditor of State

February 16, 2001

**MADISON CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(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?	Yes
(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):	Title I, CFDA# 84.010 and Special Education Cluster *
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

* CFDA # 84.027 Special Education Grants To States, CFDA #84.173, Special Education Preschool Grants

**MADISON CHAMPAIGN EDUCATIONAL SERVICE CENTER
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**JUNE 30, 2000
(Continued)**

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

Finding Number	2000-10311-001
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The Educational Service Center had numerous items incorrectly coded and posted in its revenue ledger. The incorrect coding and postings spanned Federal, state and local revenue sources. Items coded and posted as miscellaneous revenue were: Excess Cost charges to districts, driver education fees, pre-school tuition, some school foundation and consolidated alternative funding source receipts. There were four food service reimbursement receipts posted as miscellaneous while the remaining sixteen recorded transactions were coded and posted as reduction of expenditures. Receipts from the United Way and miscellaneous revenue for literacy program were coded and posted as being federal revenue, while proceeds from education video sales were posted as being state revenues. There were four refunds posted to foundation receipts which were actually for excess cost charges billed to the districts.

Incorrect coding and postings could result in material misstatements to the financial statements and impair the usefulness of the Service Center's records and financial statements as financial monitoring and management tools.

The Educational Service Center should consult the latest USAS manual for appropriate posting codes to provide that all transactions of the Educational Service Center are properly identified and posted consistently. Additionally, the coding of revenue as miscellaneous should be done sparingly to provide for a more definitive description of activity.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2000-10311-002
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Finding 2000-10311-001 above is applicable to the programs included in the Special Education Cluster, from the U.S. Department of Education (award numbers 6B-SP-99, 6B-SP-00, and PG-S1-99) and to the National School Lunch Program, CFDA 10.555, from the U.S Department of Agriculture (award numbers 03-PU-99, 03-PU-00, 04-PU-99, 04-PU-00). These programs were passed through the Ohio Department of Education.



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MADISON CHAMPAIGN EDUCATIONAL SERVICE CENTER

CHAMPAIGN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2001**