



**DARKE COUNTY EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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

We conducted our audit in accordance with 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 Educational Service Center, Darke County, as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2001, on our consideration of the Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Educational Service Center taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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 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

January 24, 2001

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**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$369,367	\$451,374	\$141,360
Receivables:			
Accounts	87,502	7,956	0
Intergovernmental	12,972	300,000	0
Accrued Interest	4,432	0	0
Interfund Receivable	48,945	0	0
Due from Other Funds	919	0	0
Prepaid Items	1,630	0	0
Fixed Assets	0	0	0
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$525,767</u>	<u>\$759,330</u>	<u>\$141,360</u>
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$13,417	\$89,714	\$6,560
Accrued Wages Payable	96,304	46,296	0
Interfund Payable	0	48,945	0
Due to Other Funds	0	919	0
Intergovernmental Payable	168,654	32,207	0
Deferred Revenue	21,617	0	0
Compensated Absences Payable	1,494	0	0
Due to Students	0	0	0
	<u>301,486</u>	<u>218,081</u>	<u>6,560</u>
Total Liabilities	<u>301,486</u>	<u>218,081</u>	<u>6,560</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Fund Balance:			
Reserved for Encumbrances	47,595	109,603	0
Unreserved, Undesignated	176,686	431,646	134,800
	<u>224,281</u>	<u>541,249</u>	<u>134,800</u>
Total Fund Equity and Other Credits	<u>224,281</u>	<u>541,249</u>	<u>134,800</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$525,767</u>	<u>\$759,330</u>	<u>\$141,360</u>

See Accompanying Notes to the General Purpose Financial Statements.

Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
Agency			
\$1,200	\$0	\$0	\$963,301
0	0	0	95,458
0	0	0	312,972
0	0	0	4,432
0	0	0	48,945
0	0	0	919
0	0	0	1,630
0	823,401	0	823,401
0	0	145,337	145,337
<u>\$1,200</u>	<u>\$823,401</u>	<u>\$145,337</u>	<u>\$2,396,395</u>
\$0	\$0	\$0	\$109,691
0	0	0	142,600
0	0	0	48,945
0	0	0	919
0	0	1,561	202,422
0	0	0	21,617
0	0	143,776	145,270
1,200	0	0	1,200
<u>1,200</u>	<u>0</u>	<u>145,337</u>	<u>672,664</u>
0	823,401	0	823,401
0	0	0	157,198
0	0	0	743,132
0	823,401	0	1,723,731
<u>\$1,200</u>	<u>\$823,401</u>	<u>\$145,337</u>	<u>\$2,396,395</u>

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Revenues:				
Charges for Services	\$329,886	\$7,592	\$0	\$337,478
Tuition and Fees	0	29,776	0	29,776
Intergovernmental	1,480,740	1,355,164	3,500	2,839,404
Interest	33,944	0	0	33,944
Miscellaneous	38,496	444	0	38,940
Total Revenues	<u>1,883,066</u>	<u>1,392,976</u>	<u>3,500</u>	<u>3,279,542</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	37,130	0	37,130
Special	525,266	64,973	0	590,239
Vocational	0	14,906	0	14,906
Support Services:				
Pupils	420,612	221,514	0	642,126
Instructional Staff	610,975	291,465	978	903,418
Board of Education	30,258	0	0	30,258
Administration	149,832	39,390	3,500	192,722
Fiscal	104,883	5,504	0	110,387
Operation and Maintenance of Plant	28,616	0	0	28,616
Pupil Transportation	1,590	0	0	1,590
Intergovernmental	0	345,191	0	345,191
Capital Outlay	0	0	35,375	35,375
Total Expenditures	<u>1,872,032</u>	<u>1,020,073</u>	<u>39,853</u>	<u>2,931,958</u>
Excess of Revenues Over (Under) Expenditures	11,034	372,903	(36,353)	347,584
Fund Balances at Beginning of Year	213,247	168,346	171,153	552,746
Fund Balances at End of Year	<u>\$224,281</u>	<u>\$541,249</u>	<u>\$134,800</u>	<u>\$900,330</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$286,156	\$286,156	\$0
Tuition and Fees	0	0	0
Intergovernmental	1,503,518	1,503,518	0
Interest	35,260	35,260	0
Miscellaneous	5,000	5,000	0
	<u>1,829,934</u>	<u>1,829,934</u>	<u>0</u>
Total Revenues			
Expenditures:			
Current:			
Instruction:			
Regular	0	0	0
Special	521,483	521,483	0
Vocational	0	0	0
Support Services:			
Pupils	432,322	432,322	0
Instructional Staff	616,403	616,403	0
Board of Education	31,451	31,451	0
Administration	151,111	151,111	0
Fiscal	107,144	107,144	0
Operation and Maintenance of Plant	31,797	31,797	0
Pupil Transportation	3,360	3,360	0
Capital Outlay	0	0	0
	<u>1,895,071</u>	<u>1,895,071</u>	<u>0</u>
Total Expenditures			
Excess of Revenues			
Over (Under) Expenditures	<u>(65,137)</u>	<u>(65,137)</u>	<u>0</u>
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	1,795	1,795	0
Advances - In	2,081	2,081	0
Advances - Out	(48,945)	(48,945)	0
	<u>(45,069)</u>	<u>(45,069)</u>	<u>0</u>
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(110,206)	(110,206)	0
Fund Balances at Beginning of Year	381,484	381,484	0
Prior Year Encumbrances Appropriated	37,406	37,406	0
	<u>\$308,684</u>	<u>\$308,684</u>	<u>\$0</u>
Fund Balances at End of Year			

See Accompanying Notes to the General Purpose Financial Statements.

<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>		
<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$0	\$0	\$0	\$0	\$0	\$0
29,483	29,483	0	0	0	0
1,056,559	1,056,559	0	3,500	3,500	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>1,086,042</u>	<u>1,086,042</u>	<u>0</u>	<u>3,500</u>	<u>3,500</u>	<u>0</u>
32,514	32,514	0	0	0	0
251,246	251,246	0	0	0	0
15,853	15,653	200	0	0	0
402,365	402,365	0	0	0	0
450,741	450,591	150	2,225	2,225	0
0	0	0	0	0	0
39,462	39,462	0	3,500	3,500	0
5,604	5,604	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	29,675	29,675	0
<u>1,197,785</u>	<u>1,197,435</u>	<u>350</u>	<u>35,400</u>	<u>35,400</u>	<u>0</u>
<u>(111,743)</u>	<u>(111,393)</u>	<u>350</u>	<u>(31,900)</u>	<u>(31,900)</u>	<u>0</u>
0	0	0	0	0	0
48,945	48,945	0	0	0	0
(2,081)	(2,081)	0	0	0	0
<u>46,864</u>	<u>46,864</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(64,879)	(64,529)	350	(31,900)	(31,900)	0
363,099	363,099	0	158,175	158,175	0
15,049	15,049	0	14,225	14,225	0
<u>\$313,269</u>	<u>\$313,619</u>	<u>\$350</u>	<u>\$140,500</u>	<u>\$140,500</u>	<u>\$0</u>

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**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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 Districts, the Versailles Exempted Village School District, and the Greenville City School District. The Educational Service Center furnishes leadership and consulting services designed to strengthen the school districts in areas they are unable to finance or staff independently.

The Educational Service Center operates under a locally-elected five-member Board form of government consisting of five members elected at-large for staggered four year terms. The Educational Service Center has 13 support staff employees, 33 certified teaching personnel and 4 administrative employees that provide services to the local, exempted village and city school districts.

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

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

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

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

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

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

The Educational Service Center is associated with three jointly governed organizations and one insurance purchasing pool. These organizations are discussed in Note 14 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

2. Fiduciary Fund Type:

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 fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

3. Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the agency fund 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.

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Educational Service Center reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Intergovernmental receivables for services to other school districts measurable as of June 30, 2000 but received out of the available period, are recorded as deferred revenue.

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

C. Budgetary Data

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

The Educational Service Center legally adopts its budget on or before the start of the new fiscal year. Included in the budget are the estimated resources and expenditures for each fund. Upon review by the Educational Service Center's Board, the annual appropriation resolution is adopted. After the start of the fiscal year, the estimated resources are revised to include the actual beginning of the fiscal year fund balance and accepted by the Board. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

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

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations:

The annual appropriation resolution is legally enacted by the Educational Service Center at the fund, function, and object level of expenditures, which is the legal level 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 Board of the Educational Service Center. The Educational Service Center may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the budget approved by the State Department of Education. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. During the year, seven supplemental appropriations were legally enacted; however, none of these amendments were significant. Prior to year end, the Educational Service Center passed appropriations to match expenditures plus encumbrances for all funds except for vocational instruction in the school-to-work grant and instructional staff in the professional development grant. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

2. Encumbrances:

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

3. Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 2000, investments were limited to certificates of deposit, which are reported at cost.

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$33,944, which includes \$12,945 assigned from other Educational Service Center funds.

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

E. Estimates

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

F. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

G. Fixed Assets and Depreciation

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

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

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

H. 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 is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

I. Intergovernmental Revenues

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

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 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:

Non-Reimbursable Grants

Special Revenue Funds

- Local Professional Development
- Education Management Information Systems
- Public School Preschool
- Expanded Workforce
- Title III - Eisenhower Grant
- Title VI-B
- Early Childhood
- School-to-Work Grant
- Drug Free Grant
- Family and Children First Grant
- School Net Professional Development
- Ohio Reads Community Grant
- Alternative Education Grant
- Summer Writing Institute
- Safe Schools Helpline
- Abstinence Only Education
- Goals 2000

Capital Projects Fund

- Telecommunications Grant
- School Net Grant
- Interactive Video Distance Learning Grant
- BCII Fiscal Agent Grant

Grants and entitlements received in governmental funds amounted to approximately 87 percent of revenue during the 2000 fiscal year.

The Educational Service Center is the primary recipient of grants which are passed-through to or spent on behalf of the local school districts within the County. When the Educational Service Center has a financial or administrative role in the grants, the grants are reported as revenues and intergovernmental expenditures in a special revenue fund.

J. Compensated Absences

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

K. Accrued Liabilities and Long-Term Obligations

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The Educational Service Center reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances.

N. Total Columns on General Purpose Financial Statements

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

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

3. ACCOUNTABILITY

At June 30, 2000, the following funds had individual fund deficits:

	<u>Deficit</u>
Special Revenue Funds:	
Ohio Reads Community Grant	\$3,375
Preschool Grant	12,955
Prevention, Achievement, Life Skills	23,092
School-to-Work Grant	8,308
Title VI-B	29,178
Title VI-B Early Education	12,152

The deficits in the funds are caused 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.

4. BUDGETARY BASIS OF ACCOUNTING

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

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

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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 (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	\$11,034	\$372,903	(\$36,353)
Revenue Accruals	(51,337)	(306,934)	0
Expenditure Accruals	36,673	(39,607)	5,313
Encumbrances	(59,566)	(137,755)	(860)
Prepaid Items	(146)	0	0
Advances	(46,864)	46,864	0
Budget Basis	(\$110,206)	(\$64,529)	(\$31,900)

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

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

Protection of the Educational Service Center's deposits is provided by the Federal Deposit Insurance Corporation, 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;

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the Educational Service Center's deposits was \$963,301 and the bank balance was \$998,394. Of the bank balance:

1. \$325,679 was covered by federal depository insurance; and
2. \$672,715 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Educational Service Center to a successful claim by the Federal Deposit Insurance Corporation.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Investments: The Educational Service Center's investments are categorized to give an indication of the level of risk assumed by the Educational Service Center at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Educational Service Center or its agent in the Educational Service Center's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Educational Service Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Educational Service Center's name. The Educational Service Center did not have any investments at year end.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The classification of cash and cash equivalents on the combined financial statements and the classification of cash and cash equivalents per GASB Statement No. 3 is the same.

6. 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 Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the 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 the school districts served by the Educational Service Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Educational Service Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school district's approve or disapprove the additional apportionment.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of accounts (excess costs), intergovernmental grants, accrued interest and interfund receivables. All receivables are considered collectible in full due to the stable condition of State programs and the current fiscal year guarantee of federal funds. Intergovernmental receivables consists of \$12,972 of CAFS money in the general fund and \$300,000 in the Summer Writing Institute Special Revenue Fund.

**EDUCATIONAL SERVICE CENTER
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

8. FIXED ASSETS

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

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$46,412	\$10,837	\$0	\$57,249
Buildings and Improvements	492,344	0	0	492,344
Equipment and Furniture	240,752	38,268	5,212	273,808
Total	<u>\$779,508</u>	<u>\$49,105</u>	<u>\$5,212</u>	<u>\$823,401</u>

9. RISK MANAGEMENT

A. Property and Liability

The Educational Service Center is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the Educational Service Center contracted with Nationwide Insurance for general liability and property insurance. Coverages provided by Nationwide Insurance are as follows:

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

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

B. Workers' Compensation

For fiscal year 2000, the Educational Service Center participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the Educational Service Center by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control, and actuarial services to the GRP.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the Educational Service Center is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Educational Service Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 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, 2000, 1999, and 1998 were \$13,435, \$18,808 and \$13,435, respectively; 100 percent has been contributed for all three years.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The Educational Service Center was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$192,516, \$156,671 and \$131,924, respectively; zero percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$192,516 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

11. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS 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 \$129,542 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the 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 fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, 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 was established at \$12,400. For the Educational Service Center, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$22,324.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), 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 \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. All twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time does carry beyond the contract year in which it is earned. Accumulated, unused vacation time is paid to administrators upon termination of employment if negotiated with the Board of Education. Teachers do not earn vacation time. All employees earn three days of personal leave per fiscal year. Accumulated, unused personal leave does not carry beyond the contract year in which it is earned. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 195 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for all employees.

B. Insurance Benefits

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

C. Deferred Compensation Plan

Educational Service Center employees and elected officials may participate in the Ohio Public Employees 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.

13. LONG-TERM OBLIGATIONS

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

	Amount Outstanding 6/30/99	Additions	Deletions	Amount Outstanding 6/30/00
Intergovernmental Payable	\$1,532	\$1,561	\$1,532	\$1,561
Compensated Absences	135,320	8,456	0	143,776
Total General Long-Term Obligations	\$136,852	\$10,017	\$1,532	\$145,337

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL

A. Jointly Governed Organizations

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

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2000, the Educational Service Center paid \$1,276 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Miami Valley Career Technology Center - The Miami Valley Career Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from seventeen of the twenty-six participating school districts' elected boards, which possesses its own budgeting and taxing authority. One member is appointed from the following city, local, and/or exempted village school districts: Miamisburg, Milton-Union, Vandalia, Tipp City, Huber Heights, Trotwood-Madison, Carlisle, Eaton, Versailles, Northmont, and West Carrollton. Three members are appointed from the Montgomery County Educational Service Center and one is appointed from each of the following County Educational Service Centers: Miami, Preble, and Darke. The Educational Service Center had no payments to the Miami Valley Career Technology Center during fiscal year 2000. To obtain financial information, write to the Miami Valley Career Technology Center, Debbie Jessup, who serves as Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

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

14. JOINTLY GOVERNED ORGANIZATIONS AND INSURANCE PURCHASING POOL (Continued)

B. Insurance Purchasing Pool

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The Educational Service Center participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

15. STATE SCHOOL FUNDING DECISION

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 amounts of monetary support to the Educational Service Center. During the fiscal year ended June 30, 2000, the Educational Service Center received \$1,438,509 of school foundation support for its general fund.

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 has 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 has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The 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 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 Court found took the place of the unconstitutional emergency school loan assistance program.

The 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 statements.

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

16. CONTINGENCIES

A. Grants

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

B. Litigation

The Educational Service Center did not have any pending litigation.

17. INTERFUND RECEIVABLE/PAYABLE

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

Fund Type/Fund	Interfund Receivables	Interfund Payables	Due from Other Funds	Due to Other Funds
General Fund	\$48,945	\$0	\$919	\$0
Special Revenue Funds:				
Public School Preschool	0	2,027	0	0
Ohio Reads Community Grant	0	3,375	0	0
Prevention, Achievement, Life Skills	0	23,092	0	0
Early Childhood	0	7,203	0	0
Abstinence Only Education	0	3,904	0	0
School - to - Work Grant	0	9,344	0	919
Total Special Revenue Funds	<u>0</u>	<u>48,945</u>	<u>0</u>	<u>919</u>
Total All Funds	<u><u>\$48,945</u></u>	<u><u>\$48,945</u></u>	<u><u>\$919</u></u>	<u><u>\$919</u></u>

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor or Direct Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U. S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Education)</i>				
<i>Special Education Cluster:</i>				
Special Education - Grants to States	046615 6B-SF 99	84.027	\$50,525	\$145,247
	046615 6B-SF 00	84.027	203,943	187,750
Total Special Education - Grants to States			254,468	332,997
Special Education - Preschool Grants	046615 PG-S1 99	84.173	5,308	5,990
	046615 PG-S1 00	84.173	28,062	28,062
Total Special Education - Preschool Grants			33,370	34,052
Total Special Education Cluster			287,838	367,049
Goals 2000 - State and Local Education Systemic Improvement	046615 G2-SP 97	84.276	66,740	53,100
	046615 G2-SP 99	84.276	40,000	10,757
	046615 G2-SP 00	84.276	125,000	166,229
Total GOALS 2000 - State and Local Education Systemic Improvement			231,740	230,086
Safe and Drug-Free Schools and Communities - State Grant	046615 DR-S1 00	84.186	24,251	24,251
Eisenhower Professional Development State Grants	046615 MS-S1 00	84.281	25,503	25,503
	046615 MS-S1 99	84.281	0	20,454
Total Eisenhower Professional Development State Grants			25,503	45,957
<i>(Passed through Ohio Department of Health)</i>				
Special Education - Grants for Infants and Families with Disabilities	9201-B 00	84.181	48,587	37,644
Total U. S. Department of Education			617,919	704,987
U. S. DEPARTMENT OF LABOR				
<i>(Passed through Ohio Department of Education)</i>				
Employment Services and Job Training - Pilot and Demonstration Programs	046615 WK-BE 00	17.246	7,809	6,704
Total U. S. Department of Labor			7,809	6,704
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Passed through Ohio Department of Health)</i>				
Abstinence Education Program	N/A	93.235	135,700	121,432
Total U. S. Department of Health and Human Services			135,700	121,432
Total Federal Financial Assistance			\$761,428	\$833,123

See the accompanying notes to Schedule of Federal Awards Expenditure.

DARKE COUNTY EDUCATIONAL SERVICE CENTER
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000

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.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

To the Board of Education:

We have audited the financial statements of the Educational Service Center, Darke County, (the Educational Service Center) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 24, 2001. 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 Educational Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated January 24, 2001.

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

Jim Petro
Auditor of State

January 24, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Darke County 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 Educational 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 Educational Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Educational Service Center's management. Our responsibility is to express an opinion on the Educational Service 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 Educational Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Educational Service Center's compliance with those requirements.

As described in item 2000-10319-002 in the accompanying schedule of findings and questioned costs, the Educational Service Center did not comply with requirements regarding allowable cost / cost principles that are applicable to its Special Education Cluster Program. Compliance with such requirements is necessary, in our opinion, for the Educational Service Center to comply with requirements applicable to that program.

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

Internal Control Over Compliance

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

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 Educational 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 and questioned costs as item 2000-10319-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. In addition, we noted a certain matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the Educational Service Center in a separate letter dated January 24, 2001.

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

Jim Petro
Auditor of State

January 24, 2001

EDUCATIONAL SERVICE CENTER
DARKE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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 weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education - Grants to States, CFDA 84.027 and Special Education - Preschool Grants, CFDA 84.173 GOALS 2000 , CFDA 84.276
<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?	No

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

None

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2000-10319-001
CFDA Title and Number	Special Education Cluster: Special Education - Grants to States, CFDA 84.027 Special Education - Preschool Grants, CFDA 84.173
Federal Award Number / Year	046615-PG-S1-99
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

REPORTABLE CONDITION

During examination of the Educational Service Center's Special Education-Grants to States (Title VI-B) and Special Education-Preschool Grant (Title VI-B Preschool) for fiscal year 2000, we noted the following conditions:

1. In some instances expenditure transactions were not expended directly from the function / object expenditure accounts as outlined per the approved budget. A portion of the program was originally expended from the General Fund and was later reimbursed by the federal grant fund.
2. A portion of the grant award had been expended to the local school districts participating in the program without documentation supporting the school districts allowable program expenditures.

The failure to expend program funds in accordance with the State approved budget and the lack of supporting documentation for all program expenditures could lead to non-compliance and possible future loss of funding.

The Educational Service Center should implement the following procedures to strengthen federal compliance controls:

1. All allowable program costs should be expended directly from the federal grant fund established, and from the function / object expenditure accounts as outlined in the approved budget.
2. Written policy and procedures should be established regarding the portion of the grant award expended to each of the local school districts participating in the program. To provide assurance that funds are expended in accordance with program requirements, the policy should identify the financial reporting requirements to the participating districts to support their reimbursement for program expenditures.

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Finding Number	2000-10319-002
CFDA Title and Number	Special Education Cluster: Special Education - Grants to States, CFDA 84.027
Federal Award Number / Year	046615-PG-S1-99
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

QUESTIONED COSTS

OMB Circular A-87, Attachment A, Section C(3), states that where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Attachments C, D, and E of the Circular. OMB Circular A-87, Attachment A, Section F(1), indicates indirect costs are those incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted.

The Educational Service Center expended \$17,372 from federal funds received under the Special Education - Grants to States program to reimburse its General Fund for administrative costs. The Service Center did not identify the individual transactions supporting the \$17,372, rather, the Service Center charged the amount as an indirect cost. However, the Educational Service Center does not have an indirect cost allocation plan in place as required by OMB cost principles Circular A-87 to allocate indirect costs to a federal program, nor is there authority in the grant agreement or approved budget with the State Department of Education for this program to expend funds for administrative costs.

The total Special Education- Grants to States program expenditures during fiscal year 2000 were \$332,997, of which \$17,372 in payments to the Educational Service Center's general fund is questioned.

EDUCATIONAL SERVICE CENTER
DARKE COUNTY

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

FISCAL YEAR ENDING JUNE 30, 2000

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10319-001	Expenditures made with limited supporting documentation.	No	Additional documentation has been received for several expenditures, but some expenditures were still not fully documented by the Educational Service Center.

**EDUCATIONAL SERVICE CENTER
DARKE COUNTY**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-10319-001	A detailed budget for the Educational Service Center's expenditures have been prepared for the FY 2001 program. The LEA's will be required to provide sufficient detail of their qualifying special education expenditures prior to reimbursement.	June 30, 2001	Director of Pupil Services, Lisa Combs



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

DARKE COUNTY 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
MARCH 6, 2001**