

---

---

PIKE COUNTY EDUCATIONAL SERVICE CENTER

REGULAR AUDIT

JULY 1, 1998 THROUGH JUNE 30, 1999

FISCAL YEAR AUDITED UNDER GAGAS:  
1999

PIKE COUNTY EDUCATIONAL SERVICE CENTER

REGULAR AUDIT

JULY 1, 1998 THROUGH JUNE 30, 1999

FISCAL YEAR AUDITED UNDER GAGAS:  
1999

**MICHAEL A. BALESTRA, CPA, INC.**

CERTIFIED PUBLIC ACCOUNTANTS  
528 SOUTH WEST STREET, P.O. BOX 687  
PIKETON, OHIO 45661

---

TELEPHONE (740) 289-4131

FAX (740) 289-3639

E-Mail: [mbalcpa@bright.net](mailto:mbalcpa@bright.net)

---

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
**PIKE COUNTY**  
For the Fiscal Years Ended June 30, 1999

---

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	
General Purpose Financial Statements	1
Combined Balance Sheet -All Funds and Account Groups	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	7
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual (Budget Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type	11
Combined Statement of Cash Flows - Proprietary Fund Type	12
Notes to the General Purpose Financial Statements	13
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46

**MICHAEL A. BALESTRA, CPA, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS  
528 SOUTH WEST STREET, P.O. BOX 687  
PIKETON, OHIO 45661

---

TELEPHONE (740) 289-4131  
FAX (740) 289-3639

---

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Board of Education  
Pike County Educational Service Center  
P.O. Box 578  
Piketon, Ohio 45661

**Report of Independent Accountants**

We have audited the accompanying general purpose financial statements of Pike County Educational Service Center (ESC), Pike County, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Government'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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Pike County Educational Service Center, Pike County, as of June 30, 1999, and the results of its operations in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 1999 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As described in Note 3 to the general purpose financial statements, the Pike County Educational Service Center implemented Governmental Accounting Standards Board Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

*Michael A. Balestra, CPA, Inc.*

Michael A. Balestra, CPA, Inc.  
December 22, 1999



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

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398

Board of Education  
Pike County Educational Service Center  
P.O. Box 578  
Piketon, Ohio 45661

We have reviewed the Independent Auditor's Report of the Pike County Educational Service Center, Pike County, prepared by Michael Balestra, CPA, Inc., for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Pike County Educational Service Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Jim Petro".

JIM PETRO  
Auditor of State

January 3, 2000

## GENERAL PURPOSE FINANCIAL STATEMENTS

---

*The general purpose financial statements of the Center include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows of the proprietary fund type.*

---

PIKE COUNTY EDUCATIONAL SERVICE CENTER

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 1999

GOVERNMENTAL FUND TYPES

	General	Special Revenue	Debt Service	Capital Projects
<b><u>Assets and Other Debits:</u></b>				
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$295,962	\$25,140	\$0	\$0
Cash and Cash Equivalents with Fiscal Agents	0	1,407,982	241,252	39,170
Receivables:				
Taxes	0	1,885,890	0	0
Accounts	0	18,828	0	0
Intergovernmental	19,138	25,244	0	0
Prepaid Items	364	18,902	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	5,700	0	0
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents	0	51,750	0	0
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<b><u>Other Debits:</u></b>				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b><u>Total Assets and Other Debits</u></b>	<b><u>\$315,464</u></b>	<b><u>\$3,439,436</u></b>	<b><u>\$241,252</u></b>	<b><u>\$39,170</u></b>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$321,102
3,576	921,922	0	0	2,613,902
0	0	0	0	1,885,890
4,775	0	0	0	23,603
0	0	0	0	44,382
0	0	0	0	19,266
3,710	0	0	0	3,710
135	0	0	0	5,835
0	0	0	0	51,750
27,627	0	3,318,386	0	3,346,013
0	0	0	210,000	210,000
0	0	0	154,232	154,232
<u>\$39,823</u>	<u>\$921,922</u>	<u>\$3,318,386</u>	<u>\$364,232</u>	<u>\$8,679,685</u>

(continued)



**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 1999

(Continued)

**GOVERNMENTAL FUND TYPES**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<i>Liabilities,</i>				
<i><u>Fund Equity and Other Credits:</u></i>				
<i><u>Liabilities:</u></i>				
Accounts Payable	\$0	\$13,391	\$0	\$0
Accrued Wages and Benefits	5,286	212,901	0	0
Compensated Absences Payable	2,940	27,735	0	0
Intergovernmental Payable	90,288	20,778	0	0
Deferred Revenue	0	1,543,771	0	0
Undistributed Monies	0	0	0	0
Matured Bonds Payable	0	0	5,000	0
General Obligation Bonds Payable	0	0	0	0
<i>Total Liabilities</i>	<u>98,514</u>	<u>1,818,576</u>	<u>5,000</u>	<u>0</u>
<i><u>Fund Equity and Other Credits:</u></i>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	47,673	52,551	0	2,492
Reserved for Inventory	0	5,700	0	0
Reserved for Property Taxes	0	44,872	0	0
Reserved for Budget Stabilization	0	51,750	0	0
Unreserved:				
Undesignated	169,277	1,465,987	236,252	36,678
<i>Total Fund Equity and Other Credits</i>	<u>216,950</u>	<u>1,620,860</u>	<u>236,252</u>	<u>39,170</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$315,464</u>	<u>\$3,439,436</u>	<u>\$241,252</u>	<u>\$39,170</u>

See accompanying notes to the general purpose financial statements

<i>PROPRIETARY FUND TYPE</i>	<i>FIDUCIARY FUND TYPE</i>	<i>ACCOUNT GROUPS</i>		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$3,192	\$0	\$0	\$0	\$16,583
4,024	0	0	0	222,211
5,557	0	0	147,103	183,335
1,547	0	0	7,129	119,742
2,808	0	0	0	1,546,579
0	921,922	0	0	921,922
0	0	0	0	5,000
0	0	0	210,000	210,000
17,128	921,922	0	364,232	3,225,372
0	0	3,318,386	0	3,318,386
22,695	0	0	0	22,695
0	0	0	0	102,716
0	0	0	0	5,700
0	0	0	0	44,872
0	0	0	0	51,750
0	0	0	0	1,908,194
22,695	0	3,318,386	0	5,454,313
<u>\$39,823</u>	<u>\$921,922</u>	<u>\$3,318,386</u>	<u>\$364,232</u>	<u>\$8,679,685</u>

This Page Intentionally Left Blank

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types**  
**For the Fiscal Year Ended June 30, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b><u>Revenues:</u></b>					
Property Taxes	\$0	\$1,124,650	\$0	\$0	\$1,124,650
Intergovernmental	1,052,852	2,745,985	0	70,437	3,869,274
Interest	15,243	74,726	14,760	0	104,729
Tuition and Fees	9,073	105,264	0	0	114,337
Rent	0	16,560	0	0	16,560
Extracurricular Activities	0	697	0	0	697
Gifts and Donations	1,500	2,000	0	0	3,500
Customer Services	0	34,973	0	0	34,973
Miscellaneous	713	33,412	0	0	34,125
<b>Total Revenues</b>	<b>1,079,381</b>	<b>4,138,267</b>	<b>14,760</b>	<b>70,437</b>	<b>5,302,845</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	899	51,291	0	0	52,190
Special	319,102	129,788	0	0	448,890
Vocational	0	2,069,108	0	0	2,069,108
Adult/Continuing	0	59,812	0	0	59,812
Other	4,170	7,767	0	0	11,937
<b>Support Services:</b>					
Pupils	305,264	75,494	0	0	380,758
Instructional Staff	347,357	233,191	0	0	580,548
Board of Education	23,235	72,653	0	0	95,888
Administration	81,786	303,129	0	0	384,915
Fiscal	54,372	127,133	0	0	181,505
Operation and Maintenance of Plant	0	335,309	0	0	335,309
Pupil Transportation	1,224	26,869	0	0	28,093
Central	0	171,353	0	0	171,353
Operation of Non-Instructional Services	0	6,554	0	0	6,554
Extracurricular Activities	0	53,926	0	0	53,926
Capital Outlay	0	114,717	0	0	114,717
<b>Debt Service:</b>					
Principal Retirement	0	0	35,000	0	35,000
Interest and Fiscal Charges	0	0	18,484	0	18,484
<b>Total Expenditures</b>	<b>1,137,409</b>	<b>3,838,094</b>	<b>53,484</b>	<b>0</b>	<b>5,028,987</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(58,028)</b>	<b>300,173</b>	<b>(38,724)</b>	<b>70,437</b>	<b>273,858</b>
<b><u>Other Financing Sources (Uses):</u></b>					
Operating Transfers In	68,441	220,821	0	0	289,262
Operating Transfers Out	(55,705)	(209,143)	0	(32,234)	(297,082)
<b>Total Other Financing Sources (Uses)</b>	<b>12,736</b>	<b>11,678</b>	<b>0</b>	<b>(32,234)</b>	<b>(7,820)</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(45,292)</b>	<b>311,851</b>	<b>(38,724)</b>	<b>38,203</b>	<b>266,038</b>
<b>Fund Balances at Beginning of Year as Restated in Note 24</b>	<b>262,242</b>	<b>1,315,037</b>	<b>274,976</b>	<b>967</b>	<b>1,853,222</b>
<b>Decrease in Reserve for Inventory</b>	<b>0</b>	<b>(6,028)</b>	<b>0</b>	<b>0</b>	<b>(6,028)</b>
<b>Fund Balances at End of Year</b>	<b>\$216,950</b>	<b>\$1,620,860</b>	<b>\$236,252</b>	<b>\$39,170</b>	<b>\$2,113,232</b>

See accompanying notes to the general purpose financial statements

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 For the Fiscal Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$0	\$0	\$0	\$1,056,865	\$984,407	(\$72,458)
Intergovernmental	1,041,755	1,043,217	1,462	2,781,054	2,781,054	0
Interest	15,243	15,243	0	68,506	74,726	6,220
Tuition and Fees	79,327	79,327	0	30,340	102,798	72,458
Rent	0	0	0	16,560	16,560	0
Extracurricular Activities	0	0	0	697	697	0
Gifts and Donations	1,500	1,500	0	2,000	2,000	0
Customer Services	0	0	0	34,974	34,974	0
Miscellaneous	713	713	0	33,294	33,294	0
<b>Total Revenues</b>	<b>1,138,538</b>	<b>1,140,000</b>	<b>1,462</b>	<b>4,024,290</b>	<b>4,030,510</b>	<b>6,220</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	6,316	6,316	0	57,483	44,663	12,820
Special	345,830	345,830	0	146,025	129,396	16,629
Vocational	0	0	0	2,376,689	2,124,137	252,552
Adult/Continuing	0	0	0	60,134	59,759	375
Other	4,987	4,987	0	7,823	7,755	68
Support Services:						
Pupils	390,362	337,135	53,227	112,941	78,837	34,104
Instructional Staff	448,952	373,546	75,406	245,125	242,162	2,963
Board of Education	32,426	23,627	8,799	77,616	65,842	11,774
Administration	94,257	79,471	14,786	304,984	286,574	18,410
Fiscal	107,399	67,784	39,615	192,412	139,608	52,804
Operation and Maintenance of Plant	0	0	0	411,943	367,143	44,800
Pupil Transportation	1,624	1,227	397	31,812	30,523	1,289
Central	0	0	0	214,473	181,003	33,470
Operation of Non-Instructional Services	0	0	0	11,129	7,272	3,857
Extracurricular Activities	0	0	0	64,693	53,917	10,776
Capital Outlay	0	0	0	121,409	114,717	6,692
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>1,432,153</b>	<b>1,239,923</b>	<b>192,230</b>	<b>4,436,691</b>	<b>3,933,308</b>	<b>503,383</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(293,615)</b>	<b>(99,923)</b>	<b>193,692</b>	<b>(412,401)</b>	<b>97,202</b>	<b>509,603</b>
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	0	0	0	118	118	0
Operating Transfers In	68,441	68,441	0	227,079	227,079	0
Operating Transfers Out	(55,705)	(55,705)	0	(226,227)	(215,416)	10,811
Other Financing Sources	0	0	0	29,092	29,092	0
<b>Total Other Financing Sources (Uses)</b>	<b>12,736</b>	<b>12,736</b>	<b>0</b>	<b>30,062</b>	<b>40,873</b>	<b>10,811</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(280,879)</b>	<b>(87,187)</b>	<b>193,692</b>	<b>(382,339)</b>	<b>138,075</b>	<b>520,414</b>
<b>Fund Balances at Beginning of Year</b>	<b>217,689</b>	<b>217,689</b>	<b>0</b>	<b>1,193,596</b>	<b>1,193,596</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>72,642</b>	<b>72,642</b>	<b>0</b>	<b>87,639</b>	<b>87,639</b>	<b>0</b>
<b>Fund Balances at End of Year</b>	<b>\$9,452</b>	<b>\$203,144</b>	<b>\$193,692</b>	<b>\$898,896</b>	<b>\$1,419,310</b>	<b>\$520,414</b>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$1,056,865	\$984,407	(\$72,458)
0	0	0	70,437	70,437	0	3,893,246	3,894,708	1,462
13,764	14,760	996	0	0	0	97,513	104,729	7,216
0	0	0	0	0	0	109,667	182,125	72,458
0	0	0	0	0	0	16,560	16,560	0
0	0	0	0	0	0	697	697	0
0	0	0	0	0	0	3,500	3,500	0
0	0	0	0	0	0	34,974	34,974	0
0	0	0	0	0	0	34,007	34,007	0
<u>13,764</u>	<u>14,760</u>	<u>996</u>	<u>70,437</u>	<u>70,437</u>	<u>0</u>	<u>5,247,029</u>	<u>5,255,707</u>	<u>8,678</u>
0	0	0	0	0	0	63,799	50,979	12,820
0	0	0	0	0	0	491,855	475,226	16,629
0	0	0	2,492	2,492	0	2,379,181	2,126,629	252,552
0	0	0	0	0	0	60,134	59,759	375
0	0	0	0	0	0	12,810	12,742	68
0	0	0	0	0	0	503,303	415,972	87,331
0	0	0	0	0	0	694,077	615,708	78,369
0	0	0	0	0	0	110,042	89,469	20,573
0	0	0	0	0	0	399,241	366,045	33,196
0	0	0	0	0	0	299,811	207,392	92,419
0	0	0	0	0	0	411,943	367,143	44,800
0	0	0	0	0	0	33,436	31,750	1,686
0	0	0	0	0	0	214,473	181,003	33,470
0	0	0	0	0	0	11,129	7,272	3,857
0	0	0	0	0	0	64,693	53,917	10,776
0	0	0	0	0	0	121,409	114,717	6,692
38,500	35,000	3,500	0	0	0	38,500	35,000	3,500
23,247	18,484	4,763	0	0	0	23,247	18,484	4,763
<u>61,747</u>	<u>53,484</u>	<u>8,263</u>	<u>2,492</u>	<u>2,492</u>	<u>0</u>	<u>5,933,083</u>	<u>5,229,207</u>	<u>703,876</u>
<u>(47,983)</u>	<u>(38,724)</u>	<u>9,259</u>	<u>67,945</u>	<u>67,945</u>	<u>0</u>	<u>(686,054)</u>	<u>26,500</u>	<u>712,554</u>
0	0	0	0	0	0	118	118	0
0	0	0	0	0	0	295,520	295,520	0
0	0	0	(32,234)	(32,234)	0	(314,166)	(303,355)	10,811
0	0	0	0	0	0	29,092	29,092	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(32,234)</u>	<u>(32,234)</u>	<u>0</u>	<u>10,564</u>	<u>21,375</u>	<u>10,811</u>
<u>(47,983)</u>	<u>(38,724)</u>	<u>9,259</u>	<u>35,711</u>	<u>35,711</u>	<u>0</u>	<u>(675,490)</u>	<u>47,875</u>	<u>723,365</u>
274,976	274,976	0	967	967	0	1,687,228	1,687,228	0
0	0	0	0	0	0	160,281	160,281	0
<u>\$226,993</u>	<u>\$236,252</u>	<u>\$9,259</u>	<u>\$36,678</u>	<u>\$36,678</u>	<u>\$0</u>	<u>\$1,172,019</u>	<u>\$1,895,384</u>	<u>\$723,365</u>

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
 Combined Statement of Revenues,  
 Expenses and Changes in Retained Earnings  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 1999

	<i>Enterprise</i>
<b><u>Operating Revenues:</u></b>	
Tuition	\$54,217
Sales	52,537
Other Operating Revenues	1,770
<i>Total Operating Revenues</i>	108,524
<b><u>Operating Expenses:</u></b>	
Salaries	91,022
Fringe Benefits	25,645
Purchased Services	3,307
Materials and Supplies	32,501
Cost of Sales	49,025
Depreciation	8,302
Other	4,820
<i>Total Operating Expenses</i>	214,622
Operating Loss	(106,098)
<b><u>Non-Operating Revenues:</u></b>	
Federal Donated Commodities	5,521
Interest	315
Federal and State Subsidies	48,855
Other Non-Operating Revenues	3,985
<i>Total Non-Operating Revenues</i>	58,676
Loss before Operating Transfers	(47,422)
Operating Transfers In	7,820
Net Loss	(39,602)
Retained Earnings at Beginning of Year as Restated in Note 24	62,297
Retained Earnings at End of Year	\$22,695

See accompanying notes to the general purpose financial statements

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget and Actual (Budget Basis)  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 1999

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b><u>Revenues:</u></b>			
Tuition	\$54,217	\$54,217	\$0
Sales	45,036	51,111	6,075
Interest	300	315	15
Federal and State Subsidies	53,500	48,855	(4,645)
Other Revenues	7,090	5,755	(1,335)
<b>Total Revenues</b>	<b>160,143</b>	<b>160,253</b>	<b>110</b>
<b><u>Expenses:</u></b>			
Salaries	86,134	85,465	669
Fringe Benefits	25,500	25,343	157
Purchased Services	4,157	4,157	0
Materials and Supplies	73,964	73,964	0
Capital Outlay	1,500	1,091	409
Other	4,821	4,821	0
<b>Total Expenses</b>	<b>196,076</b>	<b>194,841</b>	<b>1,235</b>
Excess of Revenues Over (Under) Expenses	(35,933)	(34,588)	1,345
Operating Transfers In	7,820	7,820	0
Excess of Revenues Over (Under) Expenses and Transfers	(28,113)	(26,768)	1,345
Fund Equity at Beginning of Year	21,247	21,247	0
Prior Year Encumbrances Appropriated	6,959	6,959	0
<b>Fund Equity at End of Year</b>	<b>\$93</b>	<b>\$1,438</b>	<b>1,345</b>

See accompanying notes to the general purpose financial statements



**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 For the Fiscal Year Ended June 30, 1999

	<u>Enterprise</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>	
<b><u>Cash Flows from Operating Activities:</u></b>	
Cash Received from Customers	\$105,328
Cash Received from Other Operating Sources	1,770
Cash Received from Other Non-Operating Sources	3,985
Cash Payments to Suppliers for Goods and Services	(75,983)
Cash Payments to Employees for Services	(85,465)
Cash Payments for Employee Benefits	(25,343)
Cash Payments for Other Operating Expenses	(4,821)
	<u>(80,529)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>	
Operating Transfers	7,820
Federal and State Subsidies	48,855
	<u>56,675</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>	
Payments for Capital Acquisitions	(1,091)
	<u>315</u>
<b><u>Cash Flows from Investing Activities:</u></b>	
Interest	315
	<u>(24,630)</u>
Net Decrease in Cash and Cash Equivalents	(24,630)
Cash and Cash Equivalents at Beginning of Year	28,206
Cash and Cash Equivalents at End of Year	<u>\$3,576</u>
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Operating Loss	(\$106,098)
<b><u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u></b>	
Depreciation	8,302
Donated Commodities Used During Year	5,521
Other Non-Operating Revenue	3,985
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(1,426)
Decrease in Inventory Held for Resale	63
Decrease in Materials and Supplies Inventory	523
Increase in Accounts Payable	2,742
Increase in Accrued Wages and Benefits	156
Increase in Compensated Absences Payable	5,557
Increase in Intergovernmental Payable	146
	<u>25,569</u>
Total Adjustments	25,569
Net Cash Used for Operating Activities	<u>(\$80,529)</u>

See accompanying notes to the general purpose financial statements

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
Notes to the General Purpose Financial Statement  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Pike County Educational Service Center (the "School District") is organized pursuant to Section 1713 of the Ohio Revised Code. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District serves an area of approximately 444 square miles. It is located in Pike County, and serves the school districts of Eastern Local School District, Scioto Valley Local School District and Western Local School District. The Educational Service Center is staffed by 5 non-certificated employees, 16 certificated full-time teaching personnel and 4 administrative employees.

***Reporting Entity:***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District includes the Pike County Joint Vocational School as a blended component unit due to the fact that the Boards are substantially the same. The seven-member Pike County Joint Vocational School District Board of Education includes the five members of the Board of Education of the Pike County Educational Service Center.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the School District:

- ▶ Villages of Piketon/Beaver
- ▶ City of Waverly
- ▶ Participating Local/City School Districts

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

(Continued)

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the School-to-Work Region 7 Alliance, the Coalition of Rural and Appalachian Schools, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. Information about these organizations is presented in Notes 17 and 18 to the general purpose financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**A. Basis Of Presentation - Fund Accounting**

The School District 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 School District 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 School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Governmental Fund Types:**

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

General Fund - The general fund is the operating fund of the School District 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 School District 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 (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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 (other than those financed by proprietary funds).

**Proprietary Fund Type:**

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

Enterprise Funds - Enterprise funds are used to account for School District 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.

**Fiduciary Fund Type:**

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

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds..

**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 funds 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.

All proprietary funds are accounted for on 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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., 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 and agency funds. 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 School District 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: property taxes available as an advance, tuition, grants, and student fees.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The School District 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. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

**1. Pike County Educational Service Center**

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

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 and accepted by the Board to include any unencumbered cash balances from the preceding year. Both the estimated resources and appropriations may be amended or supplemented throughout the year as circumstances warrant.

In the first quarter of each fiscal year, the 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 appropriations 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.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**2. Pike County Joint Vocational School**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. For each fund, the primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Because the activity of agency funds is not budgeted, transfers-in and transfers-out do not equal on a budgetary basis due to a transfer of \$15 to an agency fund from the general fund.

*Tax Budget:*

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Pike County Budget Commission for rate determination.

*Estimated Resources:*

**1. Pike County Educational Service Center**

After the start of the fiscal year, estimated resources are revised to include any unencumbered balances from the proceeding fiscal year. The revised estimated resources represents the maximum amount that may be appropriated from each fund. Estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer or additional grant programs are approved by the Board.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**2. Pike County Joint Vocational School**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the Joint Vocational School must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended

during the year if projected increases or decreases in revenue are identified by the Joint Vocational School Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

***Appropriations:***

**1. Pike County Educational Service Center**

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 expenses 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.

**2. Pike County Joint Vocational School**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the Joint Vocational School. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission 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 Education.



**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, four supplemental appropriations were legally enacted, however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***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 and reported in the notes to the financial statements for proprietary funds.

***Lapsing of Appropriations:***

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

***D. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. The funds held by the Pike County Joint Vocational School District at June 30, 1999 is presented as "Cash and Cash Equivalents with Fiscal Agents" on the balance sheet.

During fiscal year 1999, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
Notes to the General Purpose Financial Statement  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 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, special revenue, debt service, and enterprise funds during fiscal year 1999 amounted to \$15,243, \$74,726, \$14,760, and \$315, respectively.

For purposes of the 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 School District are considered to be cash equivalents.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**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. Fixed assets utilized in the proprietary fund are capitalized in the fund. 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 School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Assets in the Pike County Joint Vocational School general fixed assets account group are depreciated using the straight-line method over an estimated useful life of 20 to 50 years for buildings and improvements, 3 to 6 years for textbooks, 5 to 20 years for furniture, fixtures, and equipment, and 10 years for vehicles. Depreciation of furniture and equipment, the only proprietary fund type fixed asset classification, is computed using the straight-line method over an estimated useful life of 5 to 20 years.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

**Entitlements**

**General Fund**

State Foundation Program

**Special Revenue**

State Foundation Program

State Property Tax Relief

**Non-Reimbursable Grants**

**Special Revenue Funds**

Early Childhood Education

Education Management Information Systems

Title III - Vocational

Title VI

Professional Development Block Grant

Pre-Service School Bus Driver Training Program

Career Development

Adult Basic Education

Summer Youth Employment

ABLE / JOBS Collaboration

Chapter II

School-to-Work Grant

Sex Equity Grant

Eisenhower Grant

Educationally Handicapped Pre-School Disability Grant

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Project Funds**

Continuous Improvement Plan Grant

Interactive Video Distance Learning

**Reimbursable Grants**

**Proprietary Funds**

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately sixty-five percent of the School District's operating revenue during the 1999 fiscal year.

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. 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 School District 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 School District's termination policy.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for all employees after 20 year of current service with the School District. 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. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

**I. 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 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 used current available financial resources. General obligation bonds are reported as a liability of the general long-term obligations account group until due.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**K. Interfund Transactions**

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

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

**L. Restricted Assets**

Restricted assets in the special revenue funds represent cash and cash equivalents with fiscal agents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set aside by the School District to create a reserve for budget stabilization. See Note 20 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**M. Fund Balance Reserves**

The School District reserves those 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 available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set aside by statute to protect against cyclical changes in revenues and expenditures.

**N. Estimates**

The preparation of 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.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
Notes to the General Purpose Financial Statement  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**O. 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, 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 1999, the School District implemented *GASB Statement No. 32, "Deferred Compensation Plans"*. This statement eliminates the requirement that the School District report plan assets in an agency fund if the plan has established a trust fund whose assets are not held by the School District in a fiduciary capacity. The Ohio Public Employees Deferred Compensation Plan has established a trust fund and the amounts are no longer reported on the School District's balance sheet as of June 30, 1999.

**NOTE 4 - ACCOUNTABILITY**

At June 30, 1999, the School Bus Driver Training, Adult Basic Literacy Education, Vocational Education, and Preschool Grant Special Revenue Funds had deficit fund balances of \$110, \$5,962, \$1,178 and \$97, respectively. Deficits were created by the application of generally accepted accounting principles. Transfers are provided to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District 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 and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type 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).

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (Continued)

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 proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (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  
(Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$45,292)	\$311,851	(\$38,724)	\$38,203
Revenue Accruals	60,619	(72,289)	0	0
Expenditure Accruals	(9,696)	(35,925)	0	0
Encumbrances	(92,818)	(65,562)	0	(2,492)
Budget Basis	<u>(\$87,187)</u>	<u>\$138,075</u>	<u>(\$38,724)</u>	<u>\$35,711</u>

Net Loss/Excess of Revenues Over (Under) Expenses and Transfers  
Proprietary Fund Type

	Enterprise
GAAP Basis	(\$39,602)
Revenue Accruals	(6,947)
Expense Accruals	21,919
Encumbrances	(2,138)
Budget Basis	<u>(\$26,768)</u>

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 6 - CASH DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the School District 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

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



**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 6 - CASH DEPOSITS AND INVESTMENTS** (Continued)

4. Bonds and 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

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

**Deposits:** At fiscal year end, the carrying amount of the School District's deposits was \$22,718 and the bank balance was \$264,889. Of the bank balance, \$155,660 was covered by federal depository insurance and \$109,229 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

**NOTE 6 - CASH DEPOSITS AND INVESTMENTS** (Continued)

*Investments:* The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District'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 School District'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 School District's name. Investments in STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	<u>\$2,964,036</u>

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per *GASB Statement No. 3* is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
<i>GASB Statement No. 9</i>	\$2,986,754	\$0
Investments: STAR Ohio	<u>(2,964,036)</u>	<u>2,964,036</u>
<i>GASB Statement No. 3</i>	<u>\$22,718</u>	<u>\$2,964,036</u>

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

**NOTE 7 - PROPERTY TAXES** (Continued)

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$149,401,700	66.83%	\$156,639,610	67.06%
Public Utility	45,975,170	20.56%	46,834,526	20.05%
Tangible Personal Property	<u>28,184,986</u>	<u>12.61%</u>	<u>30,093,665</u>	<u>12.89%</u>
Total Assessed Value	<u>\$223,561,856</u>	<u>100.00%</u>	<u>\$233,567,801</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$6.50		\$6.50	

The School District receives property taxes from Pike County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 7 - PROPERTY TAXES** (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$44,872 in the special revenue funds.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (student fees and tuition), and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund:	
Excess Costs	<u>\$19,138</u>
Special Revenue Funds:	
Career Development	3,791
Vocational Education	<u>21,453</u>
Total Special Revenue Funds	<u>25,244</u>
Total Intergovernmental Receivables	<u>\$44,382</u>

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$159,065
Less Accumulated Depreciation	<u>(131,438)</u>
Net Fixed Assets	<u>\$27,627</u>

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

**NOTE 9 - FIXED ASSETS** (Continued)

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$1,260,060	\$0	\$0	\$1,260,060
Buildings and Improvements	4,076,484	36,283	0	4,112,767
Furniture, Fixtures and Equipment	2,050,881	98,556	177,552	1,971,885
Vehicles	56,200	2,000	33,000	25,200
Textbooks	87,696	0	0	87,696
Total General Fixed Assets	<u>\$7,531,321</u>	<u>\$136,839</u>	<u>\$210,552</u>	7,457,608
Accumulated Depreciation				<u>(4,139,222)</u>
Net Fixed Assets				<u>\$3,318,386</u>

**NOTE 10 - 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 districts 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 \$42.50. This amount is provided from State resources.

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

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 11- RISK MANAGEMENT**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**1. Pike County Educational Service Center**

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 1999, the Educational Service Center contracted with Nationwide Mutual Insurance Company for property insurance. Professional liability is also protected by the Nationwide Mutual Insurance Company with a \$5,000,000 aggregate limit. Nationwide Mutual Insurance Company maintains a \$20,000 public official bond for the Treasurer. A \$2,000 blanket bond for other employees is maintained by the Ohio Casualty Group Insurance Company.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction of coverage from the prior year.

**2. Pike County Joint Vocational School**

The Joint Vocational School 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 1999, the Joint Vocational School contracted with Nationwide Insurance Company for liability, property and fleet insurance coverage. Coverages provided by Nationwide are as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$12,893,200
Automobile Liability (\$100 deductible)	1,000,000
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. There has been no significant reduction in coverage from the prior year.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District 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 School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Educational Service Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$7,809, \$13,280, and \$12,108, respectively; 50 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$36,814 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds. The Pike County Joint Vocational School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$92,356, \$94,771 and \$109,283, respectively; 87 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$12,271 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The School District 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.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 12 - DEFINED BENEFIT PENSION PLANS** (Continued)

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Educational Service Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$73,629, \$76,490, and \$67,521, respectively; 100 percent has been contributed for all three fiscal years. The Pike County Joint Vocational School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$65,724, \$174,684 and \$248,986, respectively; 98 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$1,204 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

The School District 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, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the Educational Service Center and the Pike County Joint Vocational School, these amounts equaled \$98,172 and \$87,633, respectively, for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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.



**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 13 - POSTEMPLOYMENT BENEFITS** (Continued)

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, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the Educational Service Center and the Pike County Joint Vocational School, the amounts contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$7,982 and \$81,697, respectively.

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 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 14 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

**B. Insurance Benefits**

The School District provides life insurance to most employees through Fortis Benefits. The School District provides employee medical/surgical benefits and prescription drugs through Central Benefits. The School District also provides dental benefits through Coresource and vision benefits are provided through Vision Service Plan.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement  
For the Fiscal Year Ended June 30, 1999

**NOTE 14 - EMPLOYEE BENEFITS** (Continued)

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This 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.

*GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"* provides accounting guidelines for deferred compensation plans. The School District participates in the Ohio Public Employees Deferred Compensation Program. During 1998, the Ohio Public Employees Deferred Compensation Program created a trust for the assets of the plan for which the School District has no fiduciary responsibility. Therefore, plan assets are no longer presented on the balance sheet.

**NOTE 15 - LONG TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
General Obligation Bonds 8.12% 1980	\$245,000	\$0	\$35,000	\$210,000
Pension Obligation	9,548	7,129	9,548	7,129
Compensated Absences	204,344	0	57,241	147,103
Total General Long-Term Obligations	\$458,892	\$7,129	\$101,789	\$364,232

The General Obligation Bonds were issued August 1, 1980 in the amount of \$850,000. The voted general obligation bonds were issued for the purpose of building a new vocational school. The bonds are retired from the debt service fund.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

***NOTE 15 - LONG TERM OBLIGATIONS*** (Continued)

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2000	\$35,000	\$15,641	\$50,641
2001	35,000	12,797	47,797
2002	35,000	9,953	44,953
2003	35,000	7,109	42,109
2004	35,000	4,266	39,266
2005	35,000	1,422	36,422
Total	<u>\$210,000</u>	<u>\$51,188</u>	<u>\$261,188</u>

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

The entire fund balance of the Debt Service Fund is normally shown in the General Long-Term Obligations Account Group on the Combined Balance Sheet as "Amount Available in Debt Service Fund for Retirement of General Obligation Bonds." Because there is an excess of money accumulated in the Debt Service Fund than is needed to pay the outstanding bond principal, only the amount needed is shown. The School District is no longer collecting taxes levied for this bond issue except for delinquent taxes. Any fund balance left in the Debt Service Fund after the bonds have been retired will be distributed according to Section 5705.14, Ohio Revised Code.

The School District's overall legal debt margin was \$21,021,102 with an unvoted debt margin of \$233,568 at June 30, 1999.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains three enterprise funds to account for operations of food service sales, uniform school supply sales and adult education tuition and sales. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds as of and for the fiscal year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Adult Education</u>	<u>Total Enterprise</u>
Operating Revenues	\$39,154	\$4,838	\$64,532	\$108,524
Depreciation	(7,764)	0	(538)	(8,302)
Operating Loss	(66,617)	(6,132)	(34,349)	(106,098)
Donated Commodities	5,521	0	0	5,521
Interest	315	0	0	315
Federal and State Subsidies	38,355	0	10,500	48,855
Other Non-Operating Revenues	3,985	0	0	3,985
Operating Transfers	0	7,558	262	7,820
Net Income/(Loss)	(17,441)	1,426	(23,587)	(39,602)
Net Working Capital	(10,829)	4,775	1,122	(4,932)
Fixed Asset Additions	1,091	0	0	1,091
Total Assets	29,584	4,775	5,464	39,823
Total Equity	13,501	4,775	4,419	22,695
Encumbrances at June 30, 1999	0	0	2,138	2,138

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 17 - JOINTLY GOVERNED ORGANIZATION**

*South Central Ohio Computer Association* - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Lawrence, Pike, Ross, Vinton, and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers plus the fiscal agent. The School District paid SCOCA \$500 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

*School-to-Work Region 7 Alliance* - The School District is a participant among a ten county area in a school-to-work alliance. The alliance is a partnership with employers, labor, educators, community leaders and other stakeholders to ensure the active and continued involvement of all in preparing our youth for successful entry into the world of work, and our determination to instill in each of them a desire for lifelong learning. The board is made up of twenty-one (21) members, 60% of which must be from business labor and industry. The degree of control exercised by any participating member is limited to its representation on the board.

*Coalition of Rural and Appalachian Schools* - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. The School District paid \$300 to the Coalition for services provided during the year.

**NOTE 18 - INSURANCE PURCHASING POOL**

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

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
Notes to the General Purpose Financial Statement  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 19 - SCHOOL FUNDING COURT 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 that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the Educational Service Center and the Pike County Joint Vocational School received \$985,602 and \$2,067,077, respectively, of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District 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.

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, capital improvements, and budget stabilization. Disclosure of this information is required by State statute.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

**A. Textbooks and Instructional Materials**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$58,096	
Qualifying expenditures made during the year	(171,585)	
Amount of offsets for the year	0	
Total		<u>(113,489)</u>
Balance of the set-aside to be carried forward to next year		<u>\$0</u>

**B. Capital Improvements**

Set-aside balance carried forward from the prior year		\$0
Current year set-aside requirement	\$58,096	
Qualifying expenditures made during the year	(71,870)	
Amount of offsets for the year	0	
Total		<u>(13,774)</u>
Balance of the set-aside to be carried forward to next year		<u>\$0</u>

**C. Budget Stabilization**

Set-aside balance carried forward from the prior year		\$22,584
Current year set-aside requirement	\$29,166	
Qualifying expenditures made during the year	0	
Amount of offsets for the year	0	
Total		<u>29,166</u>
Balance of the set-aside to be carried forward to next year		<u>\$51,750</u>

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**  
Notes to the General Purpose Financial Statement  
For the Fiscal Year Ended June 30, 1999

---

**NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES** (Continued)

Although the School District had additional offsets and qualifying expenditures during the year that reduced the set-aside amount below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**NOTE 21 - CONTINGENCIES**

**A. Grants:**

The School District 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 School District at June 30, 1999.

**B. Litigation:**

The Educational Service Center and its blended component unit are currently not party to any pending litigation.

**NOTE 22 - YEAR 2000**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the governments's operations as early as fiscal 1999.

As a result of the Year 2000 issue, the Educational Service Center has purchased new computers for all personnel in the center. The power, heating, and air conditioning systems for the Educational Service Center are being addressed by the Pike County Joint Vocational School District.

As of April 1999, the Pike County Joint Vocational School District contracted with Navix Information Engineering Inc. to provide an overall year 2000 assessment of the Joint Vocational School's operations which include mission-critical computers and other equipment necessary to conducting Joint Vocational School operations.



**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 22 - YEAR 2000** (Continued)

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform School Payroll System software for its payroll and employee benefits. The State is responsible for remediating these systems and all associated costs.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial, payroll and employee benefits, and educational statistics information (through the State's Education Management and Information System (EMIS)). The State is responsible for remediating these systems and all associated costs.

The financial institutions that the District does business with are all in the validation and testing stages of compliance. The financial institutions are responsible for remediating these systems.

Pike County collects taxes on behalf of the School District. The County is responsible for remediating these systems and all associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School does business will be Year 2000 ready.

**NOTE 23 - SUBSEQUENT EVENT**

On July 1, 1999, the Pike County Educational Service Center merged with the Ross County Educational Service Center. For this fiscal year, the Pike County Joint Vocational School District is presented as a blended component unit of the Pike County Educational Service Center. As a result of the merger, this fiscal year will be the last year that the Educational Service Center will be presented in this manner. In subsequent years, the newly formed Ross-Pike County Educational Service District will be reported independently of the Pike County Joint Vocational School.

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

Notes to the General Purpose Financial Statement

For the Fiscal Year Ended June 30, 1999

---

**NOTE 24 - RESTATED FUND BALANCE/EQUITY**

Correction of accounting errors in the prior year required that certain adjustments be recorded to the July 1, 1998 fund balances/retained earnings as previously reported. The restatements to the opening fund balances/retained earnings are as follows:

Fund Type	Previously Stated Balances <u>At 6/30/98</u>	<u>Adjustments</u>	Restated Balance <u>at 7/1/98</u>
General Fund	\$262,594	(\$352)	\$262,242
Special Revenue	49,851	1,265,186	1,315,037
Debt Service	0	274,976	274,976
Capital Projects	0	967	967
Enterprise	0	62,297	62,297

**MICHAEL A. BALESTRA, CPA, INC.**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**528 SOUTH WEST STREET, P.O. BOX 687**  
**PIKETON, OHIO 45661**

TELEPHONE (740) 289-4131  
FAX (740) 289-3639

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Board of Education  
Pike County Educational Service Center  
P.O. Box 578  
Piketon, Ohio 45661

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

We have audited the general purpose financial statements of the Pike County Educational Service Center, Pike County, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 22, 1999. 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 Pike County Educational Service Center's general purpose 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 general purpose financial statement amounts. However, providing and 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 Pike County 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 general purpose 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 general purpose 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.

This report is intended for the information of the management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Michael A. Balestra, CPA, Inc.*

Michael A. Balestra, CPA, Inc.  
December 22, 1999



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

**PIKE COUNTY EDUCATIONAL SERVICE CENTER**

**PIKE 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.

By: *Susan Babbitt*

Date: JANUARY 13, 2000