

Pickaway County Educational Service Center

Pickaway County

Single Audit

July 1 , 2000 Through June 30, 2001

Fiscal Year Audited Under GAGAS: 2001

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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Members of the Board  
Pickaway County Educational Service Center  
1080 U.S. Highway 22 West  
Circleville, OH 43113

We have reviewed the Independent Auditor's Report of the Pickaway County Educational Service Center, Pickaway County, prepared by Balestra & Company, for the audit period July 1, 2000 to June 30, 2001. 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 Pickaway County Educational Service Center is responsible for compliance with these laws and regulations.

JIM PETRO  
Auditor of State

December 26, 2001

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PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER  
PICKAWAY COUNTY

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# BALESTRA & COMPANY

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## Independent Auditor's Report

### Members of the Board

Pickaway County Educational Service Center  
1080 U.S. Highway 22 West  
Circleville, Ohio 43113

We have audited the accompanying general-purpose financial statements of the Pickaway County Educational Service Center, Pickaway County, as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Pickaway County Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pickaway County Educational Service Center as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2001 on our consideration of the Pickaway County Educational Service Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

As described in Note 3 to the general-purpose financial statements, the Pickaway County Educational Service Center implemented Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

*Balestra & Company*

Balestra & Company

November 30, 2001

Pickaway County Educational Service Center  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 June 30, 2001

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals 2001
	General	Special Revenue	Capital Projects	Internal Service	Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
<b>Assets and Other Debits:</b>								
Equity in Pooled Cash and Cash Equivalents	\$ 501,370	158,219	0	111,811	194,704	0	0	\$ 966,104
Intergovernmental Receivables	24,651	1,000	0	6,522	297	0	0	32,470
Due from Other Funds	0	0	0	0	18,755	0	0	18,755
Accounts Receivable	9,517	8,123	0	0	0	0	0	17,640
Interfund Receivable	2,000	0	0	0	0	0	0	2,000
Property, Plant, and Equipment, net where applicable	0	0	0	6,295	0	341,062	0	347,357
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	168,494	168,494
<b>Total Assets and Other Debits</b>	<b>\$ 537,538</b>	<b>167,342</b>	<b>0</b>	<b>124,628</b>	<b>213,756</b>	<b>341,062</b>	<b>168,494</b>	<b>\$ 1,552,820</b>
<b>Liabilities:</b>								
Intergovernmental Payables	\$ 580	713	0	0	212,202	0	4,450	\$ 217,945
Due to Other Funds	8,067	10,352	0	336	0	0	0	18,755
Accounts Payable	7,395	10,333	0	773	0	0	0	18,501
Interfund Payable	0	2,000	0	0	0	0	0	2,000
Accrued Salaries and Benefits	63,843	74,206	0	2,265	0	0	0	140,314
Due to Other	0	0	0	0	1,554	0	0	1,554
Compensated Absences Payable	30,508	3,690	0	0	0	0	164,044	198,242
<b>Total Liabilities</b>	<b>110,393</b>	<b>101,294</b>	<b>0</b>	<b>3,374</b>	<b>213,756</b>	<b>0</b>	<b>168,494</b>	<b>597,311</b>
<b>Fund Equity and Other Credits:</b>								
Investment in General Fixed Assets	0	0	0	0	0	341,062	0	341,062
Retained Earnings	0	0	0	121,254	0	0	0	121,254
<b>Fund Balances:</b>								
Reserved for Encumbrances	890	535	0	0	0	0	0	1,425
Unreserved Fund Balance	426,255	65,513	0	0	0	0	0	491,768
<b>Total Fund Balances</b>	<b>427,145</b>	<b>66,048</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>493,193</b>
<b>Total Fund Balances/Retained Earnings</b>	<b>427,145</b>	<b>66,048</b>	<b>0</b>	<b>121,254</b>	<b>0</b>	<b>341,062</b>	<b>0</b>	<b>955,509</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 537,538</b>	<b>167,342</b>	<b>0</b>	<b>124,628</b>	<b>213,756</b>	<b>341,062</b>	<b>168,494</b>	<b>\$ 1,552,820</b>

See Accompanying Notes to the General-Purpose Financial Statements



Pickaway County Educational Service Center  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 All Governmental Fund Types  
 Year Ended June 30, 2001

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum) (Only)
<b>REVENUES:</b>				
Revenue from Local Sources				
Earnings on Investments	\$ 49,669	0	0	\$ 49,669
Program Services	792,934	0	0	792,934
Miscellaneous	31,485	128,781	0	160,266
Revenue from Intermediate Sources				
Restricted Grants-in-Aid	0	15,856	0	15,856
Revenue for/on Behalf of District	1,472	0	0	1,472
Revenue from State Sources				
Unrestricted Grants-in-Aid	811,312	26,308	0	837,620
Restricted Grants-in-Aid	0	353,021	0	353,021
Revenue from Federal Sources				
Unrestricted Grants-in-Aid	121,283	0	0	121,283
Restricted Grants-in-Aid	0	472,499	0	472,499
Total Revenues	<u>1,808,155</u>	<u>996,465</u>	<u>0</u>	<u>2,804,620</u>
<b>EXPENDITURES:</b>				
Instruction				
Regular	34,163	307,359	0	341,522
Special	59,352	3,845	0	63,197
Adult/Continuing	450	77,182	0	77,632
Other	0	5,140	0	5,140
Supporting Services				
Pupils	819,471	384,818	0	1,204,289
Instructional staff	425,771	190,844	2,000	618,615
Board of Education	14,625	0	0	14,625
Administration	179,818	12,103	0	191,921
Fiscal	71,081	11,391	0	82,472
Operation & Maintenance of Plant	41,299	683	0	41,982
Pupil Transportation	0	100	0	100
Central	970	128,849	0	129,819
Total Expenditures	<u>1,647,000</u>	<u>1,122,314</u>	<u>2,000</u>	<u>2,771,314</u>
Excess of Revenues				
Over (Under) Expenditures	161,155	(125,849)	(2,000)	33,306
Other Financing Sources and (Uses):				
Transfers-In	0	2,000	0	2,000
Transfers-Out	(2,000)	0	0	(2,000)
Net Other Financing Sources	<u>(2,000)</u>	<u>2,000</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources				
Over (Under) Expenditures and Other Financing Uses	159,155	(123,849)	(2,000)	33,306
Fund Balance, Beginning of Year (As Restated -see Note	267,990	189,897	2,000	459,887
Fund Balance, End of Year	<u>\$ 427,145</u>	<u>66,048</u>	<u>0</u>	<u>\$ 493,193</u>

See Accompanying Notes to the General-Purpose Financial Statements

Pickaway County Educational Service Center  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual (Budget Basis)  
 All Governmental Fund Types  
 Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Earnings on Investment	\$ 49,669	49,669	0	0	0	\$ 0
Program Services	741,462	728,685	(12,777)	0	0	0
Miscellaneous	25,029	25,029	0	133,240	124,701	(8,539)
Restricted Grants-in-Aid	0	0	0	15,856	15,856	0
Revenue for/on Behalf of District	1,197	1,197	0	0	0	0
State Unrestricted Grants-in-Aid	811,312	811,312	0	26,308	26,308	0
State Restricted Grants-in-Aid	0	0	0	353,097	352,021	(1,076)
Federal Unrestricted Grants-in-Aid	114,205	114,205	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	564,675	494,101	(70,574)
<b>Total Revenue</b>	<b>1,742,874</b>	<b>1,730,097</b>	<b>(12,777)</b>	<b>1,093,176</b>	<b>1,012,987</b>	<b>(80,189)</b>
Expenditures:						
Regular Instruction	36,048	34,163	1,885	331,321	283,176	48,145
Special Instruction	60,977	58,788	2,189	3,845	3,845	0
Adult/Continuing Instruction	450	450	0	85,068	79,936	5,132
Other Instruction	0	0	0	5,483	5,483	0
Support Services-Pupils	921,609	809,762	111,847	477,451	386,971	90,480
Support Services-Instructional Staff	444,417	422,149	22,268	211,478	192,442	19,036
Support Services-Board of Ed.	24,796	14,715	10,081	0	0	0
Support Services-Administration	446,309	194,845	251,464	13,902	11,874	2,028
Fiscal Services	80,046	70,131	9,915	11,654	11,391	263
Operation & Maintenance Of Plant	72,780	44,920	27,860	1,183	683	500
Support Services-Transportation	0	0	0	200	100	100
Support Services-Central	1,000	970	30	194,007	136,996	57,011
<b>Total Expenditures</b>	<b>2,088,432</b>	<b>1,650,893</b>	<b>437,539</b>	<b>1,335,592</b>	<b>1,112,897</b>	<b>222,695</b>
Excess of Revenues Over (Under) Expenditures	(345,558)	79,204	424,762	(242,416)	(99,910)	142,506
Other Financing Sources (Uses):						
Transfers-In	0	0	0	2,000	2,000	0
Advances-In	0	130,341	130,341	0	93,341	93,341
Refund of Prior Years Expenditures	8,525	8,525	0	0	0	0
Transfers-Out	0	(2,000)	(2,000)	0	0	0
Advances-Out	0	(93,341)	(93,341)	0	(130,341)	(130,341)
<b>Total Other Financing Sources (Uses)</b>	<b>8,525</b>	<b>43,525</b>	<b>35,000</b>	<b>2,000</b>	<b>(35,000)</b>	<b>(37,000)</b>
Excess of Revenues & Other Financing Sources						
Over (Under) Expenditures and Other Financing Uses	(337,033)	122,729	459,762	(240,416)	(134,910)	105,506
Fund Balance, Beginning of Year	367,948	367,948	0	263,936	263,936	0
Prior Year Carry Over Encumbrances	894	894	0	14,953	14,953	0
<b>Fund Balance, End of Year</b>	<b>\$ 31,809</b>	<b>491,571</b>	<b>459,762</b>	<b>38,473</b>	<b>143,979</b>	<b>\$ 105,506</b>

(Continued)

See Accompanying Notes to the General-Purpose Financial Statements

Pickaway County Educational Service Center  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual (Budget Basis)  
 All Governmental Fund Types - Continued  
 Year Ended June 30, 2001

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Earnings on Investment	\$ 0	0	0	49,669	49,669	\$ 0
Program Services	0	0	0	741,462	728,685	(12,777)
Miscellaneous	0	0	0	158,269	149,730	(8,539)
Restricted Grants-in-Aid	0	0	0	15,856	15,856	0
Revenue for/on Behalf of District	0	0	0	1,197	1,197	0
State Unrestricted Grants-in-Aid	0	0	0	837,620	837,620	0
State Restricted Grants-in-Aid	0	0	0	353,097	352,021	(1,076)
Federal Unrestricted Grants-in-Aid	0	0	0	114,205	114,205	0
Federal Restricted Grants-in-Aid	0	0	0	564,675	494,101	(70,574)
Total Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,836,050</u>	<u>2,743,084</u>	<u>(92,966)</u>
Expenditures:						
Regular Instruction	0	0	0	367,369	317,339	50,030
Special Instruction	0	0	0	64,822	62,633	2,189
Adult/Continuing Instruction	0	0	0	85,518	80,386	5,132
Other Instruction	0	0	0	5,483	5,483	0
Support Services-Pupils	0	0	0	1,399,060	1,196,733	202,327
Support Services-Instructional Staff	2,000	2,000	0	657,895	616,591	41,304
Support Services-Board of Education	0	0	0	24,796	14,715	10,081
Support Services-Administration	0	0	0	460,211	206,719	253,492
Fiscal Services	0	0	0	91,700	81,522	10,178
Operation & Maintenance Of Plant	0	0	0	73,963	45,603	28,360
Support Services-Transportation	0	0	0	200	100	100
Support Services-Central	0	0	0	195,007	137,966	57,041
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>3,426,024</u>	<u>2,765,790</u>	<u>660,234</u>
Excess of Revenues Over (Under) Expenditures	(2,000)	(2,000)	0	(589,974)	(22,706)	567,268
Other Financing Sources (Uses):						
Transfers-In	0	0	0	2,000	2,000	0
Advances-In	0	0	0	0	223,682	223,682
Refund of Prior Years Expenditures	0	0	0	8,525	8,525	0
Transfers-Out	0	0	0	0	(2,000)	(2,000)
Advances-Out	0	0	0	0	(223,682)	(223,682)
Total Other Financing Sources (Uses):	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,525</u>	<u>8,525</u>	<u>(2,000)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,000)	(2,000)	0	(579,449)	(14,181)	565,268
Fund Balance, Beginning of Year	2,000	2,000	0	633,884	633,884	0
Prior Year Carry Over Encumbrances	0	0	0	15,847	15,847	0
Fund Balance, End of Year	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>70,282</u>	<u>635,550</u>	<u>\$ 565,268</u>

See Accompanying Notes to the General-Purpose Financial Statements

Pickaway County Educational Service Center  
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings  
 Proprietary Fund Type  
 Year Ended June 30, 2001

	Internal Service
Operating Revenues:	
Tuition	\$ 74,060
Total Operating Revenues	74,060
Operating Expenses:	
Personal Services	5,971
Employee Benefits	2,986
Purchased Services	30,523
Supplies and Materials	5,864
Other Expenses	319
Depreciation Expense	931
Total Operating Expenses	46,594
Operating Gain	27,466
Non-Operating Revenues:	
Restricted Grants in Aid	40,000
Total Non-Operating Revenues	40,000
Net Income	67,466
Retained Earnings at Beginning of Year	53,788
Retained Earnings at End of Year	\$ 121,254

See Accompanying Notes to the General-Purpose Financial Statements

Pickaway County Educational Service Center  
 Combined Statement of Cash Flows  
 Proprietary Fund Type  
 Year Ended June 30, 2001

	<u>Internal Service</u>
Cash Flows from Operating Activities	
Operating Gain	\$ 27,466
Depreciation	931
Adjustments to Reconcile Operating Gain to Net Cash provided by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Intergovernmental Receivable	(6,522)
Increase (Decrease) in Liabilities:	
Due to Other Funds	(1,278)
Intergovernmental Payable	(160)
Accounts Payable	503
Accrued Wages and Benefits	(8,822)
Net Adjustments	(16,279)
Net Cash Provided by Operating Activities	12,118
Cash Flows from Noncapital Financing Activities:	
Operating Grants from Intermediate Sources	40,000
Net Cash Provided by Noncapital Financing Activities	40,000
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(325)
Net Cash Used by Capital Financing Activities	(325)
Net Increase in Cash & Cash Equivalents	51,793
Cash and Cash Equivalents at Beginning of Year	60,018
Cash and Cash Equivalents at End of Year	\$ 111,811

See Accompanying Notes to the General-Purpose Financial Statements

Pickaway County Educational Service Center  
Pickaway County  
Notes to the General-Purpose Financial Statements  
June 30, 2001

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**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The Center is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Center is a County School District as defined by Section 3313 of the Ohio Revised Code (ORC).

The Center is governed by a five member Governing Board elected by the citizens of Pickaway County and is responsible for the provision of special education and support services to public school districts located in the County. The Center also provides support services for the pupils and instructional staff, general administration, business and fiscal services.

The Center serves three local school districts: Logan Elm Local, Teays Valley Local, and Westfall Local as provided by Senate Bill 140, ORC Section 3313.483. Circleville City School District and other school districts outside Pickaway County are served on an individual contract basis for various services.

The Center is located in Circleville, Ohio and is staffed by 33 certified and 17 classified personnel. The Pickaway County commissioners, as required by State statute, provide the offices for the use of the Center.

The accompanying general-purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Center is financially accountable. This report includes all activities considered by management to be part of the Center by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Pickaway County Educational Service Center  
Pickaway County  
Notes to the General-Purpose Financial Statements  
June 30, 2001

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**Note 1. Summary of Significant Accounting Policies (continued)**

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The Center has no component units.

Management believes the financial statements included in this report represent all of the funds of the Center over which the Center is financially accountable.

**B. Fund Accounting**

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Fund-The capital projects fund is 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 Types

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the Center on a cost reimbursement basis. The Center currently has one Internal Service Fund.

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**Note 1. Summary of Significant Accounting Policies (continued)**

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Center in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the Center's fixed assets, except for those accounted for in the proprietary fund.

General Long-Term Debt Account Group - This account group is used to account for all of the Center's long-term obligations, except for those accounted for in the proprietary fund.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust 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 in 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 earning components. Proprietary fund type 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 measurement made.

Revenues-Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Center, available means expected to be received within sixty days of fiscal year end.



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**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus/Basis of Accounting (continued)**

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported 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 which they are earned, and expenses are recognized at the time they are incurred.

**D. Budget and Budgetary Accounting**

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 are the budget and the appropriation resolution, both of which are prepared on the budgetary basis of accounting. The appropriation resolution is subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level must have approval of the Governing Board. All governmental and proprietary fund types are subject to annual expenditures budgets.

SF-5

Annually, the Superintendent and the Treasurer submit to the Governing Board a proposed County Educational Service Center SF-5 budget for the fiscal year commencing July 1. The budget includes proposed expenditures and the sources of financing for all funds. After approval by the Board, the SF-5 budget is submitted to the Ohio Department of Education no later than September 8.

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**D. Budget and Budgetary Accounting (continued)**

Appropriations

An annual appropriation measure must be passed by the Governing Board by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The annual appropriation resolution is usually adopted at the July regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Expenditures may not exceed appropriations in any fund at the object level.

The Center prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types (GAAP basis).

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the 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.

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**Note 1. Summary of Significant Accounting Policies (continued)**

**E. Cash and Cash Equivalents**

Cash received by the Center is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the Center's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." During the fiscal year all investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio).

Except for nonparticipating investments contracts, investments are reported at fair value. Fair value is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The Center has invested funds in STAR Ohio during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the Center, all investment earnings accrue to the General Fund. Interest income earned in fiscal year 2001 totaled \$49,669.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Center are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**F. Taxes**

A county educational service center, itself, does not levy taxes. However, a county educational service center Governing Board may serve as the taxing authority for a county school financing district as authorized by the Ohio Revised Code 135.01 (D). The Center does not currently serve as a taxing authority.

**G. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed asset account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The Center maintains a capitalization threshold of three hundred dollars.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment and furnishings in the proprietary fund type is computed using the straight-line method over an estimated useful life of the assets varying from eight to twenty years.

**Note 1. Summary of Significant Accounting Policies (continued)**

**H. Advances to Other Funds**

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the Center had no long-term interfund loans.

**I. Compensated Absences**

The Center accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the Center records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group.

**J. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. The fair value of long term debt approximates the carrying amount.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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**Note 1. Summary of Significant Accounting Policies (continued)**

**L. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

**M. Memorandum Only - Total Columns**

Total columns on the general-purpose financial statements are captioned "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 accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**N. Accounts Payable**

The fair value and carrying value of trade accounts payable are approximately the same.

**O. Use of Estimates in Preparation of Financial Statements**

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

**Note 2. Budgetary Basis of Accounting**

The following table summarizes 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 Governmental Fund Types			
	General Fund	Special Revenue	Capital Projects
GAAP Basis	\$ 159,155	(123,849)	\$ (2,000)
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	(71,602)	18,019	0
Due to Expenditures:			
Net Adjustments to Expenditure Accruals	(3,893)	9,417	0
Due to Other Sources/Uses	39,069	(38,497)	0
Budget Basis	\$ 122,729	(134,910)	\$ (2,000)

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**Note 3 - Changes in Accounting Principles and Restatement of Fund Balance.**

For fiscal year 2001, the Center has implemented GASB Statement No. 33 , *Accounting and Financial Reporting for Non-exchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Shared Non-Exchange Revenues*, (amending GASB Statement No. 33). The implementation of GASB Statement No. 33 and 36 had no effect on fund balance at June 30, 2000

A prior period adjustment was made to properly state deferred program service revenue which was received in fiscal year 2000 but not yet earned until fiscal year 2001. The prior period adjustment decreased the beginning General fund unreserved fund balance by \$73,130.

**Note 4. Accountability and Compliance**

Pursuant to Section 117.11(A) of the Revised Code, independent auditors performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

**Note 5. Cash and Cash Equivalents**

State statutes classify monies held by the Center into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Center Treasury, in commercial accounts payable or withdraw able 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 or deposit accounts including pass book accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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**Note 5. Cash and Investments (continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and 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.

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 Center, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits:** At year end, the carrying amount of the Center's deposits was \$111,374 and the bank balance was \$214,211. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$114,211 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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**Note 5. Cash and Investments (continued)**

**Investments:** The Center's investments are required to be categorized to give an indication of the level of risk assumed by the Center at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Center or its agent in the Center's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the Center's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the Center's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Unclassified	Carrying Amount	Fair Value
STAR Ohio	\$ 854,730	\$ 854,730	\$ 854,730

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, *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:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 966,104	\$ 0
Investments:		
STAROhio	(854,730)	854,730
GASB Statement No. 3	\$ 111,374	\$ 854,730



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**Note 6. Receivables**

Receivables at June 30, 2001 consisted of tuition and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
CAFS Subsidy	\$ 23,512
ABLE Property Insurance	275
GED Subsidy	864
Total General Fund	24,651
Special Revenue Fund:	
Child Abuse Grant	1,000
Proprietary Funds	
Pass Challenge Grant	6,522
Trust & Agency Funds	
Workers Compensation Refund	297
Grand Total	\$ 32,470

**Note 7. Fixed Assets**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Furniture and Equipment	\$ 351,597	15,977	26,512	\$ 341,062

The following is a summary of the proprietary funds equipment at June 30, 2001:

Furniture and Equipment	\$ 9,340
Less: Accumulated Depreciation	(3,045)
Net Fixed Assets	\$ 6,295

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**Note 8. Defined Benefit Pension Plans**

A. School Employees Retirement System

*Plan Description:* The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System 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 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

*Funding Policy:* Plan members are required to contribute 9% of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2001, 2000 and 1999 were \$72,262, \$43,888 and \$28,475 respectively.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio), is a cost-sharing multiple employer public employee retirement system.

STRS Ohio is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increase to 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31<sup>st</sup> year, 2.6% for the 32<sup>nd</sup> year, 2.7% for the 33<sup>rd</sup> year, etc., until 100% of final average salary is reached.

Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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**Note 8. Defined Benefit Pension Plans (continued)**

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Full-time faculty with less than five years of service credit have a one-time option to select an ARP instead of STRS Ohio. Employees hired after the ARP is established have 90 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for re-employment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the re-employment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

**Note 9. Post-employment Benefits**

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2000 the allocation rate was 8.45%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, addition to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million.

The number of benefit recipients currently receiving health care benefits is approximately 50,000.

The portion of the Center's contributions that were used to fund postemployment benefits was \$55,003 for fiscal year 2001.

B. State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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**Note 9. Post-employment Benefits**

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employers contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001, and after, will be 4.5% of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS Ohio were \$283,137,000. There were 99,011 eligible benefit recipients.

**Note 10. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from Center Policy and State laws. Only personnel who are under a full year contract (240 days) are eligible for vacation time.

Vacation

Certified employees earn 20 days of vacation per year, depending upon length of service. Employees can accumulate a maximum vacation day balance of 30 days; employees with 25 or more years of service can accumulate 40 days. Accumulated, unused vacation time can be paid to employees upon termination of employment up to a maximum of 20 days.

Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0 - 5	10
5+ - 10	15
10+ - 25	20
25 or more	25

Classified employees can accumulate a maximum vacation day balance of 30 days. Ten days of accumulated vacation days may be carried over into the next vacation year. Accumulated, unused vacation time can be paid to employees upon termination of employment up to a maximum of 20 days.

Severance

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis to a maximum of 225 days.

For all employees, retirement severance is paid to each employee retiring from the Center at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement up to a maximum of 45 days.

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**Note 11. Risk Management**

General Risk

The Center is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Center has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. The Center maintains business auto coverage for non-owned autos in the amount of \$2,000,000.

The Center maintains replacement cost insurance on building contents in the amount of \$300,000.

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

Workers Compensation-Public Entity Risk Pool

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

The intent of the GRP is to achieve the benefit of a reduced premium for the Center by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Health Insurance

The Center provides life insurance and accidental death and dismemberment insurance to its employees through the Metropolitan Educational Center insurance purchasing program. The Center has elected to provide employee medical/surgical benefits through United Health Care, a fully funded program. Dental coverage is provided through Coresource.

Pickaway County Educational Service Center  
 Pickaway County  
 Notes to the General-Purpose Financial Statements  
 June 30, 2001

**Note 12. Long Term Obligations**

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30,2001
Intergovernmental Payable	\$ 3,134	4,450	3,134	\$ 4,450
Compensated Absences Payable	145,810	164,044	145,810	164,044
Total	\$ 148,944	168,494	148,944	\$ 168,494

**Note 13. Interfund Transactions**

At June 30, 2001, the Center had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 2,000	\$ 0
Special Revenue Funds	0	2,000
	\$ 2,000	\$ 2,000

**Note 14. Jointly Governed Organizations**

Metropolitan Educational Council (MEC) - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The Center does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the Center.

Central Ohio Special Education Regional Resource Center (COSERRC)

The Pickaway County Educational Service Center passes a motion each year to become a member of COSERRC. The superintendent of the Center is appointed by the Pickaway County Educational Service Center to be the delegate to the Governing Board.

COSERRC provides special education services at a regional level, as determined by each of the participating local school districts. The Center has no ongoing financial interest or financial responsibility to COSERRC.

Pickaway County Educational Service Center  
Pickaway County  
Notes to the General-Purpose Financial Statements  
June 30, 2001

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**Note 14. Jointly Governed Organizations (continued)**

Pickaway Ross Joint Vocational School District

The Pickaway County Educational Service Center is a distinct political subdivision of the State of Ohio. The Pickaway-Ross Joint Vocational School District has an eleven-member board of education. The Center has three board members as representatives to the Pickaway-Ross Joint Vocational School District board. The Pickaway-Ross Joint Vocational School District possesses its own budgeting and taxing authority, to obtain financial information write to the Pickaway-Ross Joint Vocational School District, 895 Crouse Chapel Road, Chillicothe, Ohio 45601-9010.

The Center has no ongoing financial interest or financial responsibility to the Pickaway Ross Joint Vocational School District.

**Note 15. Joint Venture**

The Center, local and city school districts and the county juvenile court system have formed a joint venture agreement to provide an educational program called PASS (Pickaway County Alternative School for Success). Initial investment by the Center was \$10,000. The Center is the fiscal agent for the program, which is reported as an internal service fund. Program revenues will consist of contributions from the participating local and city school districts, the Center, the county juvenile court system and fees received from the school districts participating in the program.

On June 1 of each year, the Center, as fiscal agent, will determine if there are excess costs or revenue. Payment by the participating districts for any excess operational cost is based on a formula using total district enrollment days. Should revenue exceed costs, the Center shall carry the balance forward to the new fiscal year or distribute to the participating districts according to the formula should the alternative school be abolished. No excess operational costs were levied for the year ending June 30, 2001.

**Note 16. Contingencies**

A. Grants

The Center receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2001.

B. Litigation

The Center is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

Pickaway County Educational Service Center  
Pickaway County  
Notes to the General-Purpose Financial Statements  
June 30, 2001

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**Note 17. State Funding**

The Center is funded by the State Department of Education for the cost of Part (A) of its budget. Part (A) is income based on employed certificated personnel as reported on CS-1 Form for county offices within the policy approved by the State Board of Education. This funding is provided from State resources.

Part (B) of the budget is provided by the school districts to which the Center provided services and by the State Department of Education. The income is based upon a formula established by Section 3317.11 ORC and State Board of Education Policy. Each school district's portion is determined by multiplying the average daily membership of the school district (the total number of students enrolled) by \$6.50. This amount is deducted by the State Department of Education from that school district's resources provided under the State's Foundation Program. The Department of Education's portion is determined by multiplying the sum of the average daily memberships of all of the school district's served by the Center by \$37. This amount is provided from State resources.

If additional funding is needed for the Center, and if a majority of the Boards of Education of the school districts served by the Center approve, the cost of Part (B) of the budget can be increased. The portion that is in excess of the original funding calculation is shared by all of the school districts served by the Center through additional reductions in their resources provided through the State Foundation Program. The State Board of Education initiates and supervises the procedure under which the school district's approve or disapprove the additional apportionment. The three local school districts, Logan Elm, Teays Valley and Westfall, have agreed to increase their funding (Part B) to the Center by an additional \$2.75 per student effective July 1, 2000.

**Note 18. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the Center is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.



Pickaway County Educational Service Center  
Pickaway County  
Notes to the General-Purpose Financial Statements  
June 30, 2001

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**Note 19. Fund Deficits**

Fund balances at June 30, 2001, included the following individual deficits:

<u>Fund</u>	<u>Amount</u>
Special Revenue Funds:	
Parent Mentors	\$ (4,791)
Social Work	\$ (21,592)

The deficits resulted from accrued liabilities for intrafund payables. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

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Pickaway County Educational Service Center  
Pickaway County

Schedule of Federal Awards Expenditures  
For the Year Ended June 30, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>United States Department of Education</b>				
<i>Passed through Ohio Department of Education</i>				
Ed Handicapped	PG-SC 2000	84.173	3,845	3,845
Adult and Community Education	AB-S1 2001	84.002	70,311	70,311
Goals 2000 - State & Local Education Systemic Improvement Grants	G2-S3 2001	84.276	66,000	83,526
Eisenhower Professional Development - Math Science	MS-S1 1999	84.281	0	35,000
<b>Total United States Department of Education</b>			140,156	192,682
<b>United States Department of Health &amp; Human Services</b>				
<i>Passed through the County Board of MRDD</i>				
Medical Assistance Program	NA	93.778	114,205	114,205
<i>Passed through the County Board of Health &amp; Human Services</i>				
Social Work Program	NA	93.XXX	353,945	334,222
<b>Total United States Department of Health &amp; Human Services</b>			468,150	448,427
<b>Total Federal Financial Assistance</b>			\$608,306	\$641,109

NA - not available

See Accompanying Notes to Schedule of Federal Awards Expenditures

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER  
PICKAWAY COUNTY  
JUNE 30, 2001

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Center's federal award programs. The schedule has been prepared on the cash basis of accounting.

**BALESTRA & COMPANY**  
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Member Ohio Society of Certified Public Accountants

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

Members of the Board  
Pickaway County Educational Service Center  
1080 U.S. Highway 22 West  
Circleville, Ohio 43113

We have audited the financial statements of the Pickaway County Educational Service Center, Pickaway County, as of and for the year ended June 30, 2001, in which we indicated the Center had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pickaway 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 financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board  
Pickaway County Educational Service Center  
Circleville, Ohio 43113

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in  
Accordance With *Government Auditing Standards*  
Page 2

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

*Balestra & Company*  
Balestra & Company

November 30, 2001

# BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Members of the Board

Pickaway County Educational Service Center

1080 U.S. Highway 22 West

Circleville, Ohio 43113

### Compliance

We have audited the compliance of the Pickaway County Educational Service Center with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Pickaway County Educational Service Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Pickaway County Educational Service Center's management. Our responsibility is to express an opinion on Pickaway County Educational Service Center's compliance based on our audit.

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

In our opinion, Pickaway County Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

### Internal Control Over Compliance

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

Members of the Board  
Pickaway County Educational Service Center  
Circleville, Ohio 43113

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance  
With OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Balestra & Company*  
Balestra & Company

November 30, 2001



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

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER  
PICKAWAY COUNTY  
JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Social Work Program CFDA #93.XXX
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER  
PICKAWAY COUNTY  
JUNE 30, 2001

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER**

**PICKAWAY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 8, 2002**