



*PICKAWAY COUNTY EDUCATIONAL
SERVICE CENTER*

REGULAR AUDIT

For the Fiscal Year Ended June 30, 2009

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

Board of Education
Pickaway Educational Service Center
2050 Stoneridge Dr
Circleville, Ohio 43113

We have reviewed the *Independent Auditor's Report* of the Pickaway Educational Service Center, Pickaway County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Educational Service Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 13, 2009

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PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER

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Independent Auditor's Report

Board of Education
Pickaway County Educational Service Center
2050 Stoneridge Drive
Circleville, OH 43313

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pickaway County Educational Service Center (the Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Service Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Service Center as of June 30, 2009, and the respective changes in financial position 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 a report dated October 6, 2009 on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 when considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The Budgetary Comparisons for the General Fund and the Special Program Fund are not a required part of the basic financial statements. The Budgetary Comparisons for the General Fund and the Special Program Fund have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

October 6, 2009

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Pickaway County Educational Service Center's (the Center) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Center's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Center's financial performance.

FINANCIAL HIGHLIGHTS

- The Center's assets exceeded its liabilities at June 30, 2009 by \$1,098,627.
- The Center's net assets of governmental activities increased \$110,419.
- General revenues accounted for \$540,617 in revenue or 15 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,115,178 or 85 percent of total revenues of \$3,655,795.
- The Center had \$3,545,376 in expenses related to governmental activities; \$3,115,178 of these expenses were offset by program specific revenues.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Center's financial situation as a whole and also give a detailed view of the Center's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Center as a whole and present a longer-term view of the Center's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the Center's most significant funds with all other non-major funds presented in total in one column.

REPORTING THE CENTER AS A WHOLE

The analysis of the Center as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the Center is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Center's net assets and changes to those assets. This change informs the reader whether the Center's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the Center's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

In the Statement of Net Assets and the Statement of Activities, the Center has only one kind of activity.

- Governmental Activities. Most of the Center's programs and services are reported here including support services, operation and maintenance of capital assets, and pupil transportation.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the Center's funds begins on page 6. Fund financial statements provide detailed information about the Center's major funds – not the Center as a whole. Some funds are required by State law. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the Center is meeting legal responsibilities for use of grants. The Center's major funds are the General Fund and the Special Program Special Revenue Fund.

Governmental Funds. Most of the Center's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Center's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the Center's Fiduciary Responsibilities. The Center acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the Center's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the Center's other financial statements because the assets cannot be utilized by the Center to finance its operations.

THE CENTER AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the Center as a whole. Table 1 provides a summary of the Center's net assets for 2009 compared to 2008.

Table 1
 Net Assets
 Governmental Activities

	2009	2008
Assets:		
Current Assets	\$ 878,124	\$ 718,080
Capital Assets, Net	671,431	697,378
Total Assets	1,549,555	1,415,458
Liabilities:		
Current and Other Liabilities	303,901	275,007
Long-Term Liabilities	147,027	152,243
Total Liabilities	450,928	427,250
Net Assets:		
Invested in Capital Assets	671,431	697,378
Restricted	112,693	91,472
Unrestricted	314,503	199,358
Total Net Assets	\$ 1,098,627	\$ 988,208

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

Total net assets of the Center as a whole increased \$110,419. The increase is primarily a result of an increase in cash and cash equivalents held by the Center at June 30, 2009. This increase was partially offset by an increase in intergovernmental payables as a result of increases in payments to retirement pension plans. The decrease in capital assets, net of depreciation is a result of current year depreciation which was partially offset by current year additions.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

Table 2
Changes in Net Assets
Governmental Activities

	2009	2008
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,591,253	\$ 2,430,162
Operating Grants and Contributions	523,925	537,649
Total Program Revenues	<u>3,115,178</u>	<u>2,967,811</u>
General Revenues:		
Grants and Entitlements	514,423	351,907
Investment Earnings	3,073	11,633
Miscellaneous	23,121	-
Total General Revenues	<u>540,617</u>	<u>363,540</u>
Total Revenues	<u>3,655,795</u>	<u>3,331,351</u>
Program Expenses		
Instruction		
Regular	268,593	232,762
Special	147,827	142,061
Adult/Continuing	47,735	55,685
Other	78,512	79,592
Support Services		
Pupils	1,677,713	1,465,959
Instructional Staff	584,462	729,555
Board of Education	27,219	50,126
Administration	277,173	218,618
Fiscal	129,542	118,180
Business	38,155	44,859
Operation and Maintenance of Plant	110,423	111,607
Pupil Transportation	1,163	-
Central	156,859	146,449
Total Expenses	<u>3,545,376</u>	<u>3,395,453</u>
Change in Net Assets	110,419	(64,102)
Net Assets at Beginning of Year	988,208	1,052,310
Net Assets at End of Year	<u>\$ 1,098,627</u>	<u>\$ 988,208</u>

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

The increase in miscellaneous revenue is due to a one time refund of prior year expenditures. The increase in program revenue from charges for services and sales is primarily due to an increase in contract services provided to area schools as well as to the County. The increase in grants and entitlements is due to a Medicaid program settlement received by the ESC during the current fiscal year.

The increase in expenditures for pupil instruction and administration is primarily due to insurance and salary increases. The decrease in expenditures for instructional staff support services is mainly due to the loss of a supervisor's salary and benefits.

Governmental Activities

Charges for services and sales comprised 71 percent of revenue for governmental activities and operating grants and contributions comprised 14 percent, while general revenue grants and entitlements comprised 14 percent of revenue for governmental activities of the Center for fiscal year 2009.

As indicated by governmental program expenses, support services are emphasized. Support services for pupils comprised 47 percent of governmental program expenses with support services for instructional staff comprising 16 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales and operating grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues of the Center.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 542,667	\$ (115,100)	\$ 510,100	\$ (96,624)
Support Services	3,002,709	545,298	2,885,353	524,266
Total Expenses	\$ 3,545,376	\$ 430,198	\$ 3,395,453	\$ 427,642

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,655,795 and expenditures of \$3,524,645. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased \$95,339. This increase was primarily due to an increase in intergovernmental revenue, which was partially offset by an increase in pupil expenditures. The Special Program Special Revenue Fund had \$270,307 in revenues and \$202,747 in expenditures resulting in a \$67,560 increase in fund balance. This increase was primarily due to an increase in program services revenue.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2009, the Center had \$671,431 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2009 balances compared to 2008.

Table 4
Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

	2009	2008
Land	\$ 66,900	\$ 66,900
Land Improvements	7,410	11,276
Buildings	576,955	600,009
Furniture and Equipment	20,166	19,193
Totals	<u>\$ 671,431</u>	<u>\$ 697,378</u>

Changes in capital assets from the prior year resulted from the purchase of furniture and equipment and current year depreciation expense. See Note 4 to the basic financial statements for more detailed information related to capital assets.

Debt

At June 30, 2009, the Center had no outstanding debt obligations. See Note 5 to the basic financial statements for more detailed information related to other long-term obligations.

CONTACTING THE CENTER'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Center's financial condition and to show the Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shannon Clark, Treasurer, Pickaway County Educational Service Center, 2050 Stoneridge Drive, Circleville, Ohio 43113.

Pickaway County Educational Service Center
Statement of Net Assets
June 30, 2009

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 831,917
Accounts Receivable	46,207
Noncurrent Assets:	
Non-Depreciable Capital Assets	66,900
Depreciable Capital Assets, net	604,531
<i>Total Assets</i>	1,549,555
LIABILITIES:	
Current Liabilities:	
Accounts Payable	15,399
Accrued Wages and Benefits	178,717
Intergovernmental Payable	109,785
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within One Year	7,699
Due in More Than One Year	139,328
<i>Total Liabilities</i>	450,928
NET ASSETS:	
Invested in Capital Assets	671,431
Restricted for Other Purposes	112,693
Unrestricted	314,503
<i>Total Net Assets</i>	\$ 1,098,627

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 268,593	\$ 157,537	\$ 115,777	\$ 4,721
Special	147,827	112,991	140,606	105,770
Adult/Continuing	47,735	24,812	23,860	937
Other	78,512	41,896	40,288	3,672
Support Services:				
Pupils	1,677,713	1,318,589	22,295	(336,829)
Instructional Staff	584,462	420,054	82,531	(81,877)
Board of Education	27,219	30,583	-	3,364
Administration	277,173	216,777	4,694	(55,702)
Fiscal	129,542	98,257	6,258	(25,027)
Business	38,155	30,583	-	(7,572)
Operation and Maintenance of Plant	110,423	55,381	7,041	(48,001)
Pupil Transportation	1,163	814	782	433
Central	156,859	82,979	79,793	5,913
Total Governmental Activities	\$ 3,545,376	\$ 2,591,253	\$ 523,925	(430,198)
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				514,423
Investment Earnings				3,073
Miscellaneous				23,121
Total General Revenues				540,617
Change in Net Assets				110,419
Net Assets Beginning of Year				988,208
Net Assets End of Year				\$ 1,098,627

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Special Program Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash and Cash Equivalents	\$ 638,603	\$ 150,885	\$ 42,429	\$ 831,917
Accounts Receivable	26,473	17,449	2,285	46,207
Interfund Receivable	2,600	-	-	2,600
<i>Total Assets</i>	<u>\$ 667,676</u>	<u>\$ 168,334</u>	<u>\$ 44,714</u>	<u>\$ 880,724</u>
LIABILITIES:				
Accounts Payable	\$ 14,611	\$ 101	\$ 687	\$ 15,399
Accrued Wages and Benefits	154,339	205	24,173	178,717
Interfund Payable	-	2,600	-	2,600
Intergovernmental Payable	69,948	25,712	14,125	109,785
<i>Total Liabilities</i>	<u>238,898</u>	<u>28,618</u>	<u>38,985</u>	<u>306,501</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	7,181	3,491	4,212	14,884
Unreserved, Undesignated, Reported in:				
General Fund	421,597	-	-	421,597
Special Revenue Funds	-	136,225	1,517	137,742
<i>Total Fund Balances</i>	<u>428,778</u>	<u>139,716</u>	<u>5,729</u>	<u>574,223</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 667,676</u>	<u>\$ 168,334</u>	<u>\$ 44,714</u>	<u>\$ 880,724</u>

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009*

Total Governmental Fund Balances	\$ 574,223
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	671,431
Long-term liabilities, including the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
Compensated Absences	<u>(147,027)</u>
Total	<u>(147,027)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,098,627</u></u>

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General Fund	Special Program Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Intergovernmental	\$ 647,206	\$ -	\$ 386,694	\$ 1,033,900
Program Services	2,121,429	248,446	58,229	2,428,104
Interest	3,073	-	-	3,073
Tuition and Fees	-	-	78,575	78,575
Charges for Services	62,865	17,051	4,457	84,373
Gifts and Donations	-	4,449	-	4,449
Rent	200	-	-	200
Miscellaneous	22,760	361	-	23,121
<i>Total Revenues</i>	<u>2,857,533</u>	<u>270,307</u>	<u>527,955</u>	<u>3,655,795</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	47,512	6,061	220,193	273,766
Special	132,554	14,876	-	147,430
Adult/Continuing	-	5,228	41,041	46,269
Other	-	78,512	-	78,512
Support Services:				
Pupils	1,624,092	42,930	434	1,667,456
Instructional Staff	438,106	42,749	118,539	599,394
Board of Education	38,905	-	-	38,905
Administration	266,356	6,186	2,605	275,147
Fiscal	115,436	5,092	7,338	127,866
Business	38,155	-	-	38,155
Operation and Maintenance of Plant	60,118	-	13,700	73,818
Pupil Transportation	-	1,113	50	1,163
Central	960	-	155,804	156,764
<i>Total Expenditures</i>	<u>2,762,194</u>	<u>202,747</u>	<u>559,704</u>	<u>3,524,645</u>
<i>Net Change in Fund Balances</i>	95,339	67,560	(31,749)	131,150
<i>Fund Balances at Beginning of Year</i>	<u>333,439</u>	<u>72,156</u>	<u>37,478</u>	<u>443,073</u>
<i>Fund Balances at End of Year</i>	<u>\$ 428,778</u>	<u>\$ 139,716</u>	<u>\$ 5,729</u>	<u>\$ 574,223</u>

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds \$ 131,150

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Asset Additions	19,630	
Current Year Depreciation	(45,577)	
Total		(25,947)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	5,216	
Total		5,216

Net Change in Net Assets of Governmental Activities \$ 110,419

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 11,937</u>
Total Assets	<u><u>\$ 11,937</u></u>
Liabilities	
Undistributed Monies	<u>\$ 11,937</u>
Total Liabilities	<u><u>\$ 11,937</u></u>

The notes to the basic financial statements are an integral part of this statement.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE CENTER AND REPORTING ENTITY

The financial statements of the Pickaway County Educational Service Center (Center) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Center's significant accounting policies are described below:

Description of the 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 313 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 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.

Reporting Entity:

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

Component units are legally separate organizations for which the Center is financially accountable. The Center is financially accountable for an organization if the Center appoints a voting majority of the organization's governing board and (1) the Center is able to significantly influence the programs or services performed or provided by the organization; or (2) the Center is legally entitled to or can otherwise access the organization's resources; the Center is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Center is obligated for the debt of the organization. Component units may also include organizations for which the Center approves the budget, the issuance of debt or levying of taxes. As of June 30, 2009, the Center had no component units.

During fiscal year 2009, the Center was associated with three jointly governed organizations, one joint venture, and three insurance purchasing pools. These organizations are South Central Ohio Computer Association, Pickaway-Ross Career and Technical Center, School Study Council of Ohio, the Pickaway County Alternative School for Success, the Ohio Association of School Business Officials Workers' Compensation Group Rating Program, the Ohio School Plan, and Schools of Ohio Risk Sharing Authority. These organizations are discussed in Notes 10, 11 and 14.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

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

The Center's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific Center functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

Governmental Fund Types:

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

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

Special Program Special Revenue Fund - The Special Program Special Revenue Fund is used to account for financial resources received and expended for various programs provided by the Center.

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The Center's only fiduciary funds are agency funds which are used to maintain clearing accounts for the Center's Workers' Compensation activity and School Employees Retirement System activity.

B. Basis of Presentation

The Center's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Center as a whole. These statements include the financial activities of the primary government. The statement of net assets presents the financial condition of governmental activities of the Center at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Center's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program. Revenues which are not classified as program revenues are presented as general revenues of the Center. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Center.

Fund Financial Statements:

During the year, the Center segregates transactions related to certain Center functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Center at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Center are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements - 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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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, revenue 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.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and 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.

The modified accrual basis is utilized for reporting purposes by the governmental fund types. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest, grants, tuition and fees.

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.

Expenses/Expenditures - 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.

D. Budgetary Process

Although not legally required, the Center adopts its budget for all funds, other than agency funds. The budget includes the estimated resources and expenditures for each fund and consists of three parts: Part (A) includes entitlement funding from the State, Part (B) includes the cost of all other lawful expenditures of the Center (which are apportioned by the State Department of Education to each local board of education under the supervision of the Center), and Part (C) includes the adopted appropriation resolution.

In fiscal year 2004, the Center's requirement to file budgetary information with the Ohio Department of Education was eliminated. Even though the budgetary process for the Center was discretionary, the Center continued to have its Board approve appropriations and estimated revenues. The Center's Board adopts an annual appropriation resolution, which is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The level of control has been established by the Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board. Throughout the year, estimated resources and appropriations may be amended or supplemented as circumstances warrant.

E. Cash and Cash Equivalents

To improve cash management, all cash received by the Center is pooled. Monies for all funds are maintained in this pool. 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" on the balance sheet and the statement of net assets.

During fiscal year 2009, investments were limited to STAR Ohio.

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, 2009.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents (Continued)

Following Ohio statutes, the Governing Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2009 amounted to \$3,073.

For presentation on the financial statements, 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. Capital Assets and Depreciation

All capital assets of the Center are general capital assets that are associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Center maintains a capitalization threshold of \$300. The Center does not possess any infrastructure.

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	30 years
Land Improvements	5 years
Furniture and Equipment	5-10 years

G. Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due to/from Other Funds." Also, receivables and payables resulting from short-term interfund loans and unpaid amounts for interfund services are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

H. Intergovernmental Revenues

In 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 and the funding is available.

I. Interfund Transactions

During the course of normal operations the Center had transactions between funds. The most significant included routine transfers of resources, from one fund to another fund, through which resources to be expended are recorded as transfers. These transactions are eliminated in the governmental activities column of the statement of activities.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

GASB Statement No. 16, "Accounting for Compensated Absences", specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's right to receive compensation is attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payments.

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 Center will compensate the employees for the benefits through paid time off or some other means. The Center records a liability for accumulated unused vacation time when earned for all employees.

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 Center has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Center's termination policy. The Center records all liability for accumulated unused sick leave for classified employees after 10 years of current service with the Center and for certified employees and administrators after 10 years of service.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

K. Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities, once incurred, that are paid in full and in a timely manner from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds upon the occurrence of employee resignations and retirements are reported as a liability in the fund financial statements. The Center had long-term obligations at June 30, 2009 as disclosed in Note 5.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes represent balances in special revenue funds for grants whose use is restricted by grant agreements.

The Center applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Of the Center's \$112,693 in restricted net assets, none are restricted by enabling legislation.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund balance, which is not available for current appropriation or is legally segregated for a specific use. Fund balance reserves have been established for encumbrances. The unreserved, undesignated portions of fund balance reflected for Governmental Funds are available for use within the specific purpose of those funds.

N. Estimates

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 statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of 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;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. 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;

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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.

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.

Deposits Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The Center's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2009, the Center's bank balance of \$986,447 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments As of June 30, 2009, the Center had no investments.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance <u>6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/2009</u>
<i>Governmental Activities:</i>				
Capital Assets Not Being Depreciated				
Land	\$ 66,900	\$ -	\$ -	\$ 66,900
Total Capital Assets Not Being Depreciated	<u>66,900</u>	<u>-</u>	<u>-</u>	<u>66,900</u>
Capital Assets Being Depreciated				
Land Improvements	19,330	-	-	19,330
Building	691,274	-	-	691,274
Furniture and Equipment	398,523	19,630	-	418,153
Total Capital Assets Being Depreciated	<u>1,109,127</u>	<u>19,630</u>	<u>-</u>	<u>1,128,757</u>
Less Accumulated Depreciation				
Land Improvements	(8,054)	(3,866)	-	(11,920)
Building	(91,265)	(23,054)	-	(114,319)
Furniture and Equipment	(379,330)	(18,657)	-	(397,987)
Total Accumulated Depreciation	<u>(478,649)</u>	<u>(45,577)</u>	<u>-</u>	<u>(524,226)</u>
Total Capital Assets Being Depreciated, Net	<u>630,478</u>	<u>(25,947)</u>	<u>-</u>	<u>604,531</u>
Governmental Activities Capital Assets, Net	<u>\$ 697,378</u>	<u>\$ (25,947)</u>	<u>\$ -</u>	<u>\$ 671,431</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,807
Special	397
Adult/Continuing	1,466
Support Services:	
Pupils	440
Instructional Staff	1,210
Board of Education	1,832
Administration	351
Operation and Maintenance of Plant	36,605
Central	<u>469</u>
Total Depreciation Expense	<u>\$45,577</u>

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 5 - LONG-TERM LIABILITIES

The changes in the Center's long-term liabilities during fiscal year 2009 were as follows:

	Balance at 6/30/08	Increase	Decrease	Balance at 6/30/09	Due within one year
Compensated Absences	\$152,243	\$147,027	\$152,243	\$147,027	\$7,699

Compensated absences will be paid from the fund from which the employee is paid with the primary fund being the General Fund.

NOTE 6 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Center contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Forms and Publications*.

Plan members are required to contribute 10 percent of their annual covered salary and the Center is required to contribute at an actuarially determined rate. The current Center rate is 14 percent of annual covered payroll. A portion of the Center's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.84 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$48,739, \$32,034, and \$44,371, respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. \$26,669 represents the unpaid contribution for fiscal year 2009 and is recorded as a liability within the respective funds.

State Teachers Retirement System

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

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire 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. The 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 salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of 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. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. 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.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$278,438, \$247,911, and \$217,436, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. \$47,638 represents the unpaid contribution for fiscal year 2009 and is recorded as a liability within the respective funds.

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

NOTE 7 - POSTEMPLOYMENT BENEFITS

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$20,803, \$18,818, and \$16,752 for fiscal years 2009, 2008, and 2007, respectively.

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2009, 2008, and 2007, the actuarially required allocation was 0.75 percent, 0.66 percent, and .68 percent. For the Center, contributions for the years ended June 30, 2009, 2008, and 2007, were \$2,970, \$2,278, and \$2,155, which equaled the required contributions for those years.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 7 - POSTEMPLOYMENT BENEFITS (Continued)

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled \$21,441, \$13,261, and \$14,672, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Forms and Publications*.

NOTE 8- RISK MANAGEMENT

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.

Effective June 23, 2009, the Center contracted with the Schools of Ohio Risk Sharing Authority for general property insurance. The coverage has a \$1,000 deductible with replacement cost coverage of \$1,810,875.

Until June 23, 2009, the Center joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchase pool for general property insurance. Liability insurance coverage was provided by the Ohio School Plan through June 30, 2009. Each individual school district and educational service center enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The Center pays this annual premium to OSP. (See Note 14.)

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 8- RISK MANAGEMENT (Continued)

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Personal and Advertising injury Limit - Each Offense	1,000,000
Fire Damage Limit - Any One Event	500,000
Excess Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Employer's Liability:	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000
Employee's Benefits Liability:	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000

Public officials' bond insurance is provided by The Travelers Casualty and Surety Company of America. The Treasurer is covered by a bond in the amount of \$50,000. The Board President, Vice-President and Superintendent are covered by bonds in the amount of \$20,000 each. Three Secretaries are covered by bonds in the amount of \$5,000 each.

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

For fiscal year 2009, the Center participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 14). 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 ensures 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 Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Payables/Receivables

At June 30, 2009, the Center had short-term interfund loans which are classified as “interfund receivables/payables.” An analysis of interfund balances is as follows:

	<u>Receivables</u>	<u>Payables</u>
Major Funds:		
General Fund	\$ 2,600	\$ -
Special Program Fund	-	2,600
Total	<u>\$ 2,600</u>	<u>\$ 2,600</u>

The General Fund made advances to other funds of the Center in anticipation of grant monies to be received by those funds.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The Center 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 Highland, Adams, Pike, Scioto, Brown, Pickaway, Ross, Vinton, Jackson, Gallia, and Lawrence 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 eleven participating counties, two school treasurers, and a representative for the fiscal agent. SCOCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross Career and Technical Center – The Pickaway-Ross Career and Technical Center is a distinct political subdivision of the State of Ohio. The Pickaway-Ross Career and Technical Center has an eleven-member board of education. The Center has three board members as representatives to the Pickaway-Ross Career and Technical Center Board. The Pickaway-Ross Career and Technical Center possesses its own budgeting and taxing authority. To obtain financial information write to the Pickaway-Ross Career and Technical Center, 895 Crouse Chapel Road, Chillicothe, Ohio 45601-9010.

The Center has no ongoing financial interest or financial responsibility to the Pickaway-Ross Career and Technical Center.

School Study Council of Ohio (SSCO) – The School Study Council of Ohio (SSCO), created in 1965, is a non-profit consortium of forty-one school districts, eight educational service centers, four colleges of education, three related educational agencies, two villages, and one Board of MR/DD. It is owned and governed by the member organizations with the Board of Trustees representing member organizations. The Center’s Superintendent represents the Center on the Board of Trustees. Their mission is to enable improvement through planning assistance, professional development, funding and related resource acquisition, research, system assessment and impact evaluation, leadership development, and other personalized technical assistance. The Center has no ongoing financial interest or ongoing financial responsibility to SSCO. To obtain the SSCO annual report, write to School Study Council of Ohio, 4795 Evanswood Drive, Floor 3, Columbus, Ohio 43229-7216.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 11 – 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 a special revenue 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 operation costs were levied for the year ended June 30, 2009.

NOTE 12 – STATE FUNDING

The Center is funded by the State Department of Education from State funds for the cost of salaries, the employer's retirement contributions, and travel expenses of supervisory teachers approved by the State Board of Education. To cover all other expenditures, the Center receives \$43.50 for each of the 9,636 students who are provided services. The \$43.50 is comprised of the following: \$6.50 times the ADM (total number of pupils under the Center's supervision). Funds are apportioned by the State Board of Education among the local school districts to which the Center provides services. These payments are received through the State's foundation program. Simultaneously, \$37.00 times the ADM is paid by the State Board of Education from State funds.

If additional funding is required, and if a majority of the boards of education of the local school districts approve, the cost for all other lawful expenditures in excess of \$43.50 times the ADM approved by the State Board of Education is apportioned back to the local school districts and received through the state foundation program. The State Board of Education initiates and supervises the procedure by which the local boards approve or disapprove the apportionment.

NOTE 13 - CONTINGENCIES

A. Grants

The Center received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. Management is unable to estimate possible claims from such audits until the audits have been completed. 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, 2009.

B. Litigation

The Center is not party to legal proceedings.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 14 – INSURANCE PURCHASING POOLS

A. Ohio Association of School Business Officials Workers' Compensation Group Rating Program

The Center participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. 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 ensures 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 Sheakley Uniservice Inc. provides administrative, cost control and actuarial services to the GRP.

B. Ohio School Plan

The Center participated in the Ohio School Plan (OSP), an insurance purchasing pool. Effective June 23, 2009, the Center's building insurance coverage was provided by Schools of Ohio Risk Sharing Authority as stated below. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of member superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

C. Schools of Ohio Risk Sharing Authority

Effective June 23, 2009, the Center participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool serving school districts in Ohio for their building insurance coverage. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District property and persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automotive liability, certain property insurance and educators' errors and omissions liability insurance.

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

NOTE 15 – ACCOUNTABILITY

Accountability - Fund Balance Deficit

At June 30, 2009, the Pass, Pass Challenge, ABLE, and Autism Special Revenue Funds had fund balance deficits of \$26,803, \$269, \$2,235, and \$66, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Pickaway County Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 842,198	\$ 647,447	\$ 647,447	\$ -
Interest	12,000	4,338	4,338	-
Tuition and Fees	1,169,254	1,766,964	1,766,964	-
Rent	-	200	200	-
Customer Sales and Services	294,000	402,597	402,597	-
Total Revenues	2,317,452	2,821,546	2,821,546	-
EXPENDITURES:				
Current:				
Instruction:				
Regular	18,889	46,942	46,942	-
Special	135,368	143,019	130,935	12,084
Support Services:				
Pupils	1,437,561	1,664,598	1,612,436	52,162
Instructional Staff	424,380	483,037	446,913	36,124
Board of Education	57,891	60,390	40,598	19,792
Administration	520,841	784,337	262,576	521,761
Fiscal	120,540	124,050	114,786	9,264
Business	80,700	80,700	43,529	37,171
Operation and Maintenance of Plant	64,420	75,369	65,956	9,413
Central	1,500	1,500	960	540
Total Expenditures	2,862,090	3,463,942	2,765,631	698,311
Excess of Revenues Over (Under) Expenditures	(544,638)	(642,396)	55,915	698,311
OTHER FINANCING USES:				
Advances In	-	-	75,300	75,300
Refund of Prior Year Expenditures	-	22,760	22,760	-
Advances Out	-	-	(72,400)	(72,400)
Total Other Financing Sources and Uses	-	22,760	25,660	2,900
Net Change in Fund Balance	(544,638)	(619,636)	81,575	701,211
Fund Balance at Beginning of Year	538,796	538,796	538,796	-
Prior Year Encumbrances Appropriated	5,823	5,823	5,823	-
Fund Balance at End of Year	\$ (19)	\$ (75,017)	\$ 626,194	\$ 701,211

See accompanying notes to supplementary information.

Pickaway County Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Special Program Fund
For the Fiscal Year Ended June 30, 2009

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Tuition and Fees	\$ 65,521	\$ 238,397	\$ 238,397	\$ -
Gifts and Donations	-	4,449	4,449	-
Customer Sales and Services	4,500	10,658	10,049	(609)
Miscellaneous	-	-	361	361
Total Revenues	70,021	253,504	253,256	(248)
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,933	8,221	5,823	2,398
Special	17,316	49,629	14,990	34,639
Adult/Continuing	16,742	20,193	5,063	15,130
Other	18,632	96,121	72,365	23,756
Support Services:				
Pupils	76,713	100,935	39,072	61,863
Instructional Staff	14,003	48,583	38,953	9,630
Administration	6,277	6,420	6,420	-
Fiscal	-	5,092	5,092	-
Pupil Transportation	-	1,804	1,804	-
Central	-	361	-	361
Total Expenditures	151,616	337,359	189,582	147,777
Excess of Revenues Over (Under) Expenditures	(81,595)	(83,855)	63,674	147,529
OTHER FINANCING USES:				
Transfers In	-	361	-	(361)
Advances In	-	-	4,600	4,600
Advances Out	-	-	(2,500)	(2,500)
Total Other Financing Sources and Uses	-	361	2,100	1,739
Net Change in Fund Balance	(81,595)	(83,494)	65,774	149,268
Fund Balance at Beginning of Year	79,875	79,875	79,875	-
Prior Year Encumbrances Appropriated	1,720	1,720	1,720	-
Fund Balance at End of Year	\$ -	\$ (1,899)	\$ 147,369	\$ 149,268

See accompanying notes to supplementary information.

Pickaway County Educational Service Center

*Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2009*

Note 1 – Budgetary Process

The Educational Service Center is no longer required under State statute to file budgetary information with the State Department of Education. However, the Educational Service Center’s Board does follow the budgetary process for control purposes.

The Educational Service Center’s Governing Board budgets for resources estimated to be received during the fiscal year. The estimated revenues may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts of estimated revenues when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedules reflect the amounts of the estimated revenues in effect at the time final appropriations were passed by the Governing Board.

The Educational Service Center’s Board adopts an annual appropriation resolution, which is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Governing Board. The level of control has been established by the Governing Board at the fund level for all funds. The Treasurer has been authorized to allocate appropriations to the function and object level within all funds.

Throughout the fiscal year, appropriations may be amended or supplemented as circumstances warrant. The amounts reported as the original budgeted amounts on the budgetary schedules reflect the amounts on the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts on the budgetary schedules represent the final appropriation amounts passed by the Governing Board during the fiscal year.

Note 2 – Budgetary Basis of Accounting

While the Educational Service Center is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting (GAAP), the budgetary basis is based upon the accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – for the General Fund and the Special Program Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

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

Pickaway County Educational Service Center

Notes to Supplementary Information

For the Fiscal Year Ended June 30, 2009

Note 2 – Budgetary Basis of Accounting *(Continued)*

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements/schedules for the General Fund and the Special Program Special Revenue Fund.

	Net Changes in Fund Balances	
	<u>General</u>	<u>Special Program</u>
GAAP Basis	\$ 95,339	\$ 67,560
Adjustments:		
Revenue Accruals	(13,227)	(17,051)
Expenditure Accruals	8,972	16,681
Advances In	75,300	4,600
Advances Out	(72,400)	(2,500)
Encumbrances	(12,409)	(3,516)
Budget Basis	<u>\$ 81,575</u>	<u>\$ 65,774</u>

Independent Accountant's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Education
Pickaway County Educational Service Center
2050 Stoneridge Drive
Circleville, OH 43313

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pickaway County Educational Service Center (the Service Center) as of and for the year ended June 30, 2009, which collectively comprise the Service Center's basic financial statements and have issued our report thereon dated October 6, 2009. 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 of America.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Service Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Service Center's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Service Center's internal control will not prevent or detect a material financial statement misstatement.

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

Board of Education
Pickaway County Educational Service Center
Independent Accountant's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Service Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material affect 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

October 6, 2009



Mary Taylor, CPA
Auditor of State

**PICKAWAY 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
DECEMBER 1, 2009**