

Pickaway County Educational Service Center
Pickaway County
Regular Audit
For the Fiscal Year Ended June 30, 2010



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Pickaway County Educational Service Center, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2011

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Pickaway County Educational Service Center
Pickaway County
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For the Fiscal Year Ended June 30, 2010

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Independent Auditor's Report

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

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, Pickaway County (the Center) as of and for the year ended June 30, 2010, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Pickaway County Educational Service Center, Pickaway County as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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 considered in assessing the results of our audit.

The management's discussion and analysis 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, which consisted 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 financial statements. The budgetary comparison information presented for the General Fund and Special Program Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information presented for the General Fund and 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.

As described in Note 17, the Center has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 17, 2010

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(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, 2010. 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, 2010 by \$956,750.
- The Center's net assets of governmental activities decreased \$192,752.
- General revenues accounted for \$474,187 in revenue or 13 percent of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$3,072,470 or 87 percent of total revenues of \$3,546,657.
- The Center had \$3,739,409 in expenses related to governmental activities; \$3,072,470 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 instruction, support services, operation and maintenance of plant, and pupil transportation.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(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 2010 compared to 2009.

Table 1
 Net Assets
 Governmental Activities

	2010	2009*
Assets:		
Current Assets	\$ 754,958	\$ 878,124
Capital Assets, Net	681,877	722,306
Total Assets	1,436,835	1,600,430
Liabilities:		
Current and Other Liabilities	321,651	303,901
Long-Term Liabilities	158,434	147,027
Total Liabilities	480,085	450,928
Net Assets:		
Invested in Capital Assets	681,877	722,306
Restricted	94,809	112,693
Unrestricted	180,064	314,503
Total Net Assets	\$ 956,750	\$ 1,149,502

* As restated, see Note 16.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Total net assets of the Center as a whole decreased \$192,752. The decrease is primarily a result of a decrease in cash and cash equivalents held by the Center at June 30, 2010. 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, 2010 and 2009.

Table 2
Changes in Net Assets
Governmental Activities

	2010	2009
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 2,513,815	\$ 2,591,253
Operating Grants and Contributions	558,655	523,925
Total Program Revenues	<u>3,072,470</u>	<u>3,115,178</u>
General Revenues:		
Grants and Entitlements not Restricted	426,122	514,423
Investment Earnings	-	3,073
Miscellaneous	48,065	23,121
Total General Revenues	<u>474,187</u>	<u>540,617</u>
Total Revenues	<u>3,546,657</u>	<u>3,655,795</u>
Program Expenses		
Instruction		
Regular	163,677	268,593
Special	147,799	147,827
Adult/Continuing	50,824	47,735
Other	56,964	78,512
Support Services		
Pupils	1,981,328	1,677,713
Instructional Staff	526,656	584,462
Board of Education	50,941	27,219
Administration	245,650	277,173
Fiscal	141,463	129,542
Business	23,050	38,155
Operation and Maintenance of Plant	86,167	110,423
Pupil Transportation	100,932	1,163
Central	163,958	156,859
Total Expenses	<u>3,739,409</u>	<u>3,545,376</u>
Change in Net Assets	(192,752)	110,419
Net Assets at Beginning of Year - as restated, See Note 16	1,149,502	1,039,083
Net Assets at End of Year	<u>\$ 956,750</u>	<u>\$ 1,149,502</u>

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The decrease in grants and entitlements not restricted is due to a Medicaid program settlement received by the ESC during the previous fiscal year.

The decrease in expenditures for regular instruction is primarily due to decreases in funding for the Alternative School, Literacy and PASS Challenge programs. The increase for pupil instruction is primarily due to the addition of the Help Me Grow Stimulus Program and Early Headstart Program. The increase in expenditures for the board of education is primarily due to an increase in health care deductibles paid for employees in the current year as compared to the prior year. The increase in expenditures for pupil transportation is primarily due to the Center now administering the Transportation program previously administered by the Pickaway County Board of Developmental Disabilities.

Governmental Activities

Charges for services and sales comprised 71 percent of revenue for governmental activities and operating grants and contributions comprised 16 percent, while general revenue grants and entitlements comprised 12 percent of revenue for governmental activities of the Center for fiscal year 2010.

As indicated by governmental program expenses, support services are emphasized. Support services for pupils comprised 53 percent of governmental program expenses with support services for instructional staff comprising 14 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

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 419,264	\$ (57,876)	\$ 542,667	\$ (115,100)
Support Services	3,320,145	724,815	3,002,709	545,298
Total Expenses	\$ 3,739,409	\$ 666,939	\$ 3,545,376	\$ 430,198

THE CENTER'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$3,570,294 and expenditures and other financing uses of \$3,727,573. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund decreased \$106,306. This decrease was primarily due to a decrease in intergovernmental revenue. The Special Program Special Revenue Fund had \$444,365 in revenues and \$511,372 in expenditures resulting in a \$67,007 decrease in fund balance. This decrease was primarily due to an increase in expenditures, which was partially offset by an increase in intergovernmental revenue.

Pickaway County Educational Service Center
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the Center had \$681,877 invested in its capital assets, net of accumulated depreciation. Table 4 shows the fiscal year 2010 balances compared to 2009.

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

	2010	2009*
Land	\$ 66,900	\$ 66,900
Land Improvements	3,544	7,410
Building	564,603	587,657
Furniture and Equipment	46,830	60,339
Totals	<u>\$ 681,877</u>	<u>\$ 722,306</u>

* As restated, see Note 16.

Changes in capital assets from the prior year resulted from the purchase and disposal 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, 2010, 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, 2010

	Governmental Activities
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 664,409
Accounts Receivable	18,007
Intergovernmental Receivable	72,542
Noncurrent Assets:	
Non-Depreciable Capital Assets	66,900
Depreciable Capital Assets, net	614,977
<i>Total Assets</i>	1,436,835
LIABILITIES:	
Current Liabilities:	
Accounts Payable	4,458
Accrued Wages and Benefits	195,778
Intergovernmental Payable	121,415
Noncurrent Liabilities:	
Long-Term Liabilities:	
Due within One Year	9,447
Due in More Than One Year	148,987
<i>Total Liabilities</i>	480,085
NET ASSETS:	
Invested in Capital Assets	681,877
Restricted for Other Purposes	94,809
Unrestricted	180,064
<i>Total Net Assets</i>	\$ 956,750

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, 2010

	<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	\$ 163,677	\$ 77,321	\$ 64,733	\$ (21,623)
Special	147,799	108,714	128,394	89,309
Adult/Continuing	50,824	22,656	24,275	(3,893)
Other	56,964	24,643	26,404	(5,917)
Support Services:				
Pupils	1,981,328	1,432,115	106,896	(442,317)
Instructional Staff	526,656	357,958	67,412	(101,286)
Board of Education	50,941	38,037	-	(12,904)
Administration	245,650	184,517	2,981	(58,152)
Fiscal	141,463	102,646	8,092	(30,725)
Business	23,050	16,906	-	(6,144)
Operation and Maintenance of Plant	86,167	34,229	7,240	(44,698)
Pupil Transportation	100,932	43,721	46,847	(10,364)
Central	163,958	70,352	75,381	(18,225)
<i>Total Governmental Activities</i>	<u>\$ 3,739,409</u>	<u>\$ 2,513,815</u>	<u>\$ 558,655</u>	<u>(666,939)</u>
General Revenues:				
Grants and Entitlements not Restricted to Specific Programs				426,122
Miscellaneous				48,065
<i>Total General Revenues</i>				<u>474,187</u>
<i>Change in Net Assets</i>				(192,752)
<i>Net Assets Beginning of Year - As Restated, See Note 16</i>				<u>1,149,502</u>
<i>Net Assets End of Year</i>				<u>\$ 956,750</u>

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, 2010

	<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	\$ 510,674	\$ 112,325	\$ 41,410	\$ 664,409
Accounts Receivable	390	11,097	6,520	18,007
Interfund Receivable	67,300	-	-	67,300
Intergovernmental Receivable	1,230	36,985	34,327	72,542
<i>Total Assets</i>	<u>\$ 579,594</u>	<u>\$ 160,407</u>	<u>\$ 82,257</u>	<u>\$ 822,258</u>
LIABILITIES:				
Accounts Payable	\$ 3,444	\$ 1,014	\$ -	\$ 4,458
Accrued Wages and Benefits	175,205	8,931	11,642	195,778
Interfund Payable	-	49,000	18,300	67,300
Intergovernmental Payable	78,473	28,500	14,442	121,415
Deferred Revenue	-	253	16,110	16,363
<i>Total Liabilities</i>	<u>257,122</u>	<u>87,698</u>	<u>60,494</u>	<u>405,314</u>
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	15,534	260	1,500	17,294
Unreserved, Undesignated, Reported in:				
General Fund	306,938	-	-	306,938
Special Revenue Funds	-	72,449	20,263	92,712
<i>Total Fund Balances</i>	<u>322,472</u>	<u>72,709</u>	<u>21,763</u>	<u>416,944</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 579,594</u>	<u>\$ 160,407</u>	<u>\$ 82,257</u>	<u>\$ 822,258</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, 2010*

Total Governmental Fund Balances	\$	416,944
 <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.		681,877
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Intergovernmental	16,110	
Miscellaneous	<u>253</u>	
		16,363
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>(158,434)</u>	
Total		<u>(158,434)</u>
Net Assets of Governmental Activities	\$	<u>956,750</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, 2010

	General Fund	Special Program Fund	All Other Governmental Funds	Total Governmental Funds
REVENUES:				
Intergovernmental	\$ 548,980	\$ 165,574	\$ 261,329	\$ 975,883
Program Services	2,106,428	253,829	48,610	2,408,867
Tuition and Fees	-	-	33,190	33,190
Charges for Services	6,421	-	55,342	61,763
Gifts and Donations	-	2,434	-	2,434
Rent	345	-	-	345
Miscellaneous	25,284	22,528	-	47,812
<i>Total Revenues</i>	<u>2,687,458</u>	<u>444,365</u>	<u>398,471</u>	<u>3,530,294</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	22,892	3,724	155,680	182,296
Special	135,249	12,154	-	147,403
Adult/Continuing	-	26,480	25,524	52,004
Other	-	56,964	-	56,964
Support Services:				
Pupils	1,715,556	229,625	496	1,945,677
Instructional Staff	410,743	61,997	61,963	534,703
Board of Education	48,711	-	-	48,711
Administration	238,046	5,728	1,034	244,808
Fiscal	122,655	10,398	6,956	140,009
Business	23,050	-	-	23,050
Operation and Maintenance of Plant	35,862	2,916	13,036	51,814
Pupil Transportation	-	100,882	50	100,932
Central	1,000	504	157,698	159,202
<i>Total Expenditures</i>	<u>2,753,764</u>	<u>511,372</u>	<u>422,437</u>	<u>3,687,573</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(66,306)</u>	<u>(67,007)</u>	<u>(23,966)</u>	<u>(157,279)</u>
OTHER FINANCING SOURCES AND USES:				
Transfers In	-	-	40,000	40,000
Transfers Out	(40,000)	-	-	(40,000)
<i>Total Other Financing Sources and Uses</i>	<u>(40,000)</u>	<u>-</u>	<u>40,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(106,306)	(67,007)	16,034	(157,279)
<i>Fund Balances at Beginning of Year</i>	<u>428,778</u>	<u>139,716</u>	<u>5,729</u>	<u>574,223</u>
<i>Fund Balances at End of Year</i>	<u>\$ 322,472</u>	<u>\$ 72,709</u>	<u>\$ 21,763</u>	<u>\$ 416,944</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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ (157,279)

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 asset additions in the current period.

Capital Asset Additions	4,567	
Current Year Depreciation	(44,504)	
Total		(39,937)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets	(492)	
Total		(492)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Intergovernmental	16,110	
Miscellaneous	253	
Total		16,363

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.

Increase in Compensated Absences	(11,407)	
Total		(11,407)

Net Change in Net Assets of Governmental Activities \$ (192,752)

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, 2010

Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 12,717</u>
Total Assets	<u><u>\$ 12,717</u></u>
Liabilities	
Undistributed Monies	<u>\$ 12,717</u>
Total Liabilities	<u><u>\$ 12,717</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, 2010

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, 2010, the Center had no component units.

During fiscal year 2010, the Center was associated with three jointly governed organizations, one joint venture, and two 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, 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, 2010

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 Funds:

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, 2010

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, 2010

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, entitlements and donations 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: 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.

As of June 30, 2010, the Educational Service Center had no investments.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>
Building	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, 2010

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, 2010 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 \$96,809 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, 2010

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, 2010

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, 2010, the Center's bank balance of \$854,932 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, 2010, the Center had no investments.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance <u>6/30/2009*</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/2010</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	418,153	4,567	(2,652)	420,068
Total Capital Assets Being Depreciated	<u>1,128,757</u>	<u>4,567</u>	<u>(2,652)</u>	<u>1,130,672</u>
Less Accumulated Depreciation				
Land Improvements	(11,920)	(3,866)	-	(15,786)
Building	(103,617)	(23,054)	-	(126,671)
Furniture and Equipment	(357,814)	(17,584)	2,160	(373,238)
Total Accumulated Depreciation	<u>(473,351)</u>	<u>(44,504)</u>	<u>2,160</u>	<u>(515,695)</u>
Total Capital Assets Being Depreciated, Net	<u>655,406</u>	<u>(39,937)</u>	<u>(492)</u>	<u>614,977</u>
Governmental Activities Capital Assets, Net	<u>\$ 722,306</u>	<u>\$ (39,937)</u>	<u>\$ (492)</u>	<u>\$ 681,877</u>

* Accumulated Depreciation Amounts Restated, See Note 16.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$2,502
Special	396
Adult/Continuing	1,219
Support Services:	
Pupils	463
Instructional Staff	1,070
Board of Education	2,230
Administration	234
Operation and Maintenance of Plant	35,921
Central	<u>469</u>
Total Depreciation Expense	<u>\$44,504</u>

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - LONG-TERM LIABILITIES

The changes in the Center's long-term liabilities during fiscal year 2010 were as follows:

	Balance at 6/30/09	Increase	Decrease	Balance at 6/30/10	Due within one year
Compensated Absences	\$147,027	\$253,850	\$242,443	\$158,434	\$9,447

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 *Employers/Audit Resources*.

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. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Center's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$93,819, \$48,739, and \$32,034, respectively; 50 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$46,494 represents the unpaid contribution for fiscal year 2010 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, 2010

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, 2010

NOTE 6 - DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal years ended June 30, 2010, 2009, and 2008, 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.

The Center's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$267,177, \$278,438, and \$247,911, respectively; 82 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. \$47,550 represents the unpaid contribution for fiscal year 2010 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

State Teachers Retirement System

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, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the Center, these amounts equaled \$20,559, \$20,803, and \$18,818, for fiscal years 2010, 2009, and 2008, respectively, which equal the required allocation for those years.

School Employees Retirement System

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 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. 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 2010, 2009, and 2008, the actuarially required allocation was 0.76 percent, 0.75 percent, and 0.66 percent. For the Center, contributions for the years ended June 30, 2010, 2009, and 2008, were \$4,400, \$2,970, and \$2,278, which equaled the required allocations for those years.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the Center, the amount contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$8,653, \$21,441, and \$13,261, respectively, which equaled the required allocations for those years.

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 2010, 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 *Employers/Audit Resources*.

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.

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

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8- RISK MANAGEMENT (Continued)

Other types and amounts of coverage provided by SORSA are as follows:

General Liability - Occurrence Form:	
Bodily Injury and Property Damage	\$3,000,000
Personal Injury/Advertising Liability	3,000,000
Products/Completed Operations	3,000,000
Employee Benefits Liability	3,000,000
Employers Stop Gap Liability	
Bodily Injury by Accident	2,000,000
Bodily Injury by Disease - Policy Limit	2,000,000
Bodily Injury by Disease - Each Employee	2,000,000
Aggregate Limit	2,000,000
General Annual Aggregate	5,000,000
Fire Damage Limit - Any One Event	500,000

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 2010, 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 Compmangement 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, 2010

NOTE 9 – INTERFUND TRANSACTIONS

Interfund Payables/Receivables

At June 30, 2010, 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	\$ 67,300	\$ -
Special Program Fund	-	49,000
Total Major Funds	67,300	49,000
Non-Major Fund:		
ABLE Fund	-	18,300
Total	<u>\$ 67,300</u>	<u>\$ 67,300</u>

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

Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund	\$ -	\$ 40,000
Non-Major Fund:		
Pass Fund	40,000	-
Total	<u>\$ 40,000</u>	<u>\$ 40,000</u>

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.

Pickaway County Educational Service Center
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

School Study Council of Ohio (SSCO) – The School Study Council of Ohio (SSCO), created in 1965, is a non-profit consortium of thirty-seven school districts, six educational service centers, four colleges of education, three related educational agencies, two villages, and one Board of Developmental Disabilities. 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.

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, 2010.

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 9,807 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, 2010.

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, 2010

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 Compmanagement provides administrative, cost control and actuarial services to the GRP.

B. Schools of Ohio Risk Sharing Authority

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 Center 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 SORSA 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, 2010, the Pass, Pass Challenge, ABLE, and Autism Special Revenue Funds had fund balance deficits of \$357, \$159, \$6,298, and \$18, 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.

NOTE 16 – RESTATEMENT OF NET ASSETS

The capital assets’ accumulated depreciation of the Center was overstated as of June 30, 2009. A restatement was made to the financial statements to correct the misstatement. This restatement had the following effect on beginning net assets:

	Governmental Activities
Net Assets, June 30, 2009	\$ 1,098,627
Depreciation restatement	50,875
Restated Net Assets, July 1, 2009	\$ 1,149,502

NOTE 17 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the Center has implemented Governmental Accounting Standard Boards (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the Center’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the Center’s basic financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the Center’s basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Center’s basic financial statements.

Pickaway County Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 816,810	\$ 591,547	\$ 547,750	\$ (43,797)
Tuition and Fees	1,477,521	1,711,814	1,710,914	(900)
Rent	-	500	345	(155)
Customer Sales and Services	341,357	435,514	428,018	(7,496)
Total Revenues	2,635,688	2,739,375	2,687,027	(52,348)
EXPENDITURES:				
Current:				
Instruction:				
Regular	36,943	51,852	29,472	22,380
Special	136,629	137,939	134,265	3,674
Support Services:				
Pupils	1,692,645	1,730,188	1,693,299	36,889
Instructional Staff	408,118	483,305	409,878	73,427
Board of Education	57,481	59,894	56,751	3,143
Administration	703,426	794,180	239,484	554,696
Fiscal	117,294	137,294	122,535	14,759
Business	50,700	47,200	29,680	17,520
Operation and Maintenance of Plant	82,480	79,970	37,695	42,275
Central	1,000	1,200	1,000	200
Total Expenditures	3,286,716	3,523,022	2,754,059	768,963
Excess of Revenues Over (Under) Expenditures	(651,028)	(783,647)	(67,032)	716,615
OTHER FINANCING USES:				
Advances In	-	-	168,700	168,700
Refund of Prior Year Expenditures	-	25,284	25,284	-
Advances Out	-	-	(233,400)	(233,400)
Transfers Out	-	(20,000)	(40,000)	(20,000)
Total Other Financing Sources and Uses	-	5,284	(79,416)	(84,700)
Net Change in Fund Balance	(651,028)	(778,363)	(146,448)	631,915
Fund Balance at Beginning of Year	626,194	626,194	626,194	-
Prior Year Encumbrances Appropriated	12,409	12,409	12,409	-
Fund Balance at End of Year	\$ (12,425)	\$ (139,760)	\$ 492,155	\$ 631,915

See accompanying notes to supplementary information.

Pickaway County Educational Service Center
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
Special Program Fund
For the Fiscal Year Ended June 30, 2010

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 155,772	\$ 188,223	\$ 128,589	\$ (59,634)
Tuition and Fees	170,686	244,143	244,143	-
Gifts and Donations	2,500	2,831	2,434	(397)
Customer Sales and Services	3,494	9,706	9,686	(20)
Miscellaneous	858	48,582	29,133	(19,449)
Total Revenues	333,310	493,485	413,985	(79,500)
EXPENDITURES:				
Current:				
Instruction:				
Regular	2,398	6,008	3,610	2,398
Special	18,175	21,731	13,822	7,909
Adult/Continuing	5,601	43,110	25,994	17,116
Other	47,046	59,740	59,740	-
Support Services:				
Pupils	266,714	315,183	210,853	104,330
Instructional Staff	26,724	66,756	66,756	-
Administration	6,246	6,014	6,014	-
Fiscal	3,118	10,398	10,398	-
Operation and Maintenance of Plant	-	2,916	2,916	-
Pupil Transportation	110,769	103,554	98,638	4,916
Central	361	1,197	504	693
Total Expenditures	487,152	636,607	499,245	137,362
Excess of Revenues Over (Under) Expenditures	(153,842)	(143,122)	(85,260)	57,862
OTHER FINANCING USES:				
Advances In	-	-	142,000	142,000
Advances Out	-	-	(95,600)	(95,600)
Total Other Financing Sources and Uses	-	-	46,400	46,400
Net Change in Fund Balance	(153,842)	(143,122)	(38,860)	104,262
Fund Balance at Beginning of Year	147,369	147,369	147,369	-
Prior Year Encumbrances Appropriated	3,516	3,516	3,516	-
Fund Balance at End of Year	\$ (2,957)	\$ 7,763	\$ 112,025	\$ 104,262

See accompanying notes to supplementary information.

Pickaway County Educational Service Center
Notes to Supplementary Information
For the Fiscal Year Ended June 30, 2010

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 principles (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 (Non-GAAP Budgetary Basis) and Actual – 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, 2010

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		
	General	Special Program
GAAP Basis	\$ (106,306)	\$ (67,007)
Adjustments:		
Revenue Accruals	24,853	(30,380)
Expenditure Accruals	18,224	12,427
Advances In	168,700	142,000
Advances Out	(233,400)	(95,600)
Encumbrances	(18,519)	(300)
Budget Basis	\$ (146,448)	\$ (38,860)

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

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

We have audited the financial statements the governmental activities, each major fund, and the aggregate remaining fund information of Pickaway County Educational Service Center, Pickaway County (the Center) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 2010, wherein we noted the Center implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and findings and responses that we consider to be a significant deficiency in internal control over financing reporting. This item is identified as Finding 2010-1 in the accompanying schedule of findings and responses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Pickaway County Educational Service Center
Pickaway County

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

Page 2

Compliance and Other Matters

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

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Center's response and, accordingly, we express no opinion on it.

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 17, 2010

Pickaway County Educational Service Center
Pickaway County
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2010

Finding 2010-1

Significant Deficiency – Financial Reporting

A monitoring system by the Center should be in place to prevent or detect misstatements for the accurate presentation of the Center's financial statements. Errors were identified within the intergovernmental receivable and intergovernmental payable balances and previously reported accumulated depreciation. Certain errors required adjustment in order to properly present balances. Other errors were not significant enough to require adjustment. The Center uses an outside consultant to assist in the preparation of the GAAP financial statements. The Center should implement additional monitoring procedures over work performed by its consultant to ensure financial reports are fairly stated.

Client Response:

The Treasurer and the consultant have discussed this matter. The Treasurer will implement additional monitoring procedures over the consultant's work to further address this issue.



Dave Yost • Auditor of State

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 3, 2011