

Pickaway County Educational Service Center

Pickaway County

Single Audit

July 1 , 1999 Through June 30, 2000

Fiscal Year Audited Under GAGAS: 2000

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

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

We have reviewed the Independent Auditor's Report of the Pickaway County Educational Service Center, Pickaway County, prepared by Michael A. Balestra, CPA, Inc., for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

November 30, 2000

PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying general-purpose financial statements of the Pickaway County Educational Service Center, Pickaway County, as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Pickaway County Educational Service Center's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Pickaway County Educational Service Center, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000 on our consideration of the Pickaway County Educational Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

November 22, 2000

**Pickaway County Educational Service Center
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000**

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals 2000
	General	Special Revenue	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum) (Only)
Assets and Other Debits:								
Equity in Pooled Cash and Investments	\$ 368,840	278,886	2,000	60,018	173,940	0	0	\$ 883,684
Intergovernmental Receivables	17,958	21,602	0	0	0	0	0	39,560
Due from Other Funds	0	0	0	0	16,614	0	0	16,614
Accounts Receivable	19,806	4,043	0	0	0	0	0	23,849
Interfund Receivable	39,000	0	0	0	0	0	0	39,000
Property, Plant, and Equipment, net where applicable	0	0	0	6,901	0	351,597	0	358,498
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	148,944	148,944
Total Assets and Other Debits	\$ 445,604	304,531	2,000	66,919	190,554	351,597	148,944	\$ 1,510,149
Liabilities:								
Intergovernmental Payables	\$ 497	439	0	160	189,829	0	3,134	\$ 194,059
Due to Other Funds	7,578	7,422	0	1,614	0	0	0	16,614
Accounts Payable	17,508	10,074	0	270	0	0	0	27,852
Interfund Payable	0	39,000	0	0	0	0	0	39,000
Accrued Salaries and Benefits	53,506	53,395	0	11,087	0	0	0	117,988
Due to Other	0	0	0	0	725	0	0	725
Compensated Absences Payable	25,395	4,304	0	0	0	0	145,810	175,509
Total Liabilities	104,484	114,634	0	13,131	190,554	0	148,944	571,747
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	351,597	0	351,597
Retained Earnings	0	0	0	53,788	0	0	0	53,788
Fund Balances:								
Reserved for Encumbrances	718	7,278	0	0	0	0	0	7,996
Unreserved Fund Balance	340,402	182,619	2,000	0	0	0	0	525,021
Total Fund Balances	341,120	189,897	2,000	0	0	0	0	533,017
Total Fund Balances/Retained Earnings	341,120	189,897	2,000	53,788	0	351,597	0	938,402
Total Liabilities, Fund Equity, and Other	\$ 445,604	304,531	2,000	66,919	190,554	351,597	148,944	\$ 1,510,149

See Accompanying Notes to the General Purpose Financial Statements

Pickaway County Educational Service Center
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types
Year Ended June 30, 2000

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum) (Only)
REVENUES:				
Revenue from Local Sources				
Earnings on Investments	\$ 39,904	0	0	\$ 39,904
Extracurricular Activities	557	0	0	557
Miscellaneous	131,546	92,474	0	224,020
Revenue from Intermediate Sources				
Restricted Grants-in-Aid	0	19,356	0	19,356
Revenue for/on Behalf of District	216	0	0	216
Revenue from State Sources				
Unrestricted Grants-in-Aid	1,338,096	25,589	0	1,363,685
Restricted Grants-in-Aid	0	300,828	2000	302,828
Revenue from Federal Sources				
Unrestricted Grants-in-Aid	92,089	0	0	92,089
Restricted Grants-in-Aid	0	627,806	0	627,806
Total Revenue	1,602,408	1,066,053	2000	2,670,461
EXPENDITURES:				
Instruction				
Regular Instruction	33,569	172,895	0	206,464
Special Instruction	55,596	0	0	55,596
Adult/Continuing Instruction	0	66,366	0	66,366
Other Instruction	0	4,424	0	4,424
Supporting Services				
Supporting Services-Pupils	621,403	268,187	0	889,590
Supporting Services-Instructional Staff	411,515	290,691	0	702,206
Supporting Services-Board of Education	14,047	0	0	14,047
Supporting Services-Administration	185,881	12,570	0	198,451
Fiscal Services	67,581	8,950	0	76,531
Operation & Maintenance of Plant	321,677	5,254	0	326,931
Pupil Transportation	0	32	0	32
Supporting Services-Central	940	134,836	0	135,776
Total Expenditures	1,712,209	964,205	0	2,676,414
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(109,801)	101,848	2000	(5,953)
Other Financing Sources and Uses:				
Transfers-In	0	2,000	0	2,000
Refund of Prior Years Expenditures	9,089	0	0	9,089
Transfers-Out	(2,000)	0	0	(2,000)
Net Other Financing Sources	7,089	2,000	0	9,089
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure				
Disbursements and Other Uses	(102,712)	103,848	2000	3,136
Beginning Fund Balance	443,832	86,049	0	529,881
Ending Fund Balance	\$ 341,120	189,897	2,000	\$ 533,017

See Accompanying Notes to the General Purpose Financial Statements

Pickaway County Educational Service Center
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Earnings on Investment	\$ 43,033	43,033	0	0	0	\$ 0
Extracurricular Activities	583	583	0	0	0	0
Miscellaneous	131,178	119,852	(11,326)	102,710	96,673	(6,037)
Restricted Grants-in-Aid	0	0	0	19,356	19,356	0
Revenue for/on Behalf of District	1,000	556	(444)	0	0	0
State Unrestricted Grants-in-Aid	1,336,572	1,336,572	0	25,589	25,589	0
State Restricted Grants-in-Aid	0	0	0	422,828	296,827	(126,001)
Federal Unrestricted Grants-in-Aid	100,500	87,584	(12,916)	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	679,073	635,030	(44,043)
Total Revenue	1,612,866	1,588,180	(24,686)	1,249,556	1,073,475	(176,081)
Expenditures:						
Regular Instruction	36,394	33,569	2,825	402,900	164,107	238,793
Special Instruction	55,002	53,398	1,604	0	0	0
Adult/Continuing Instruction	0	0	0	73,077	67,857	5,220
Other Instruction	0	0	0	5,022	5,022	0
Support Services-Pupils	689,200	622,108	67,092	269,100	231,053	38,047
Support Services-Instructional Staff	441,140	414,823	26,317	355,210	292,660	62,550
Support Services-Board of Ed.	23,647	14,080	9,567	0	0	0
Support Services-Administration	449,894	169,660	280,234	26,724	12,799	13,925
Fiscal Services	76,269	67,728	8,541	9,348	8,950	398
Operation & Maint. Of Plant	334,332	322,440	11,892	6,220	5,857	363
Support Services-Transportation	0	0	0	100	32	68
Support Services-Central	1,000	940	60	174,818	132,167	42,651
Total Expenditures	2,106,878	1,698,746	408,132	1,322,519	920,504	402,015
Excess of Revenue Over (Under) Expenditures	(494,012)	(110,566)	383,446	(72,963)	152,971	225,934
Other Financing Sources (Uses):						
Transfers-In	0	0	0	2,000	2,000	0
Advances-In	0	38,570	38,570	0	48,100	48,100
Refund of Prior Years Expense	6,516	6,516	0	0	0	0
Transfers-Out	0	(2,000)	(2,000)	0	0	0
Advances-Out	0	(50,570)	(50,570)	0	(36,100)	(36,100)
Total Other Sources (Uses)	6,516	(7,484)	(14,000)	2,000	14,000	12,000
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(487,496)	(118,050)	369,446	(70,963)	166,971	237,934
Beginning Fund Balance	482,905	482,905	0	23,019	23,019	0
Prior Year Carry Over Encumbrances	3,093	3,093	0	73,946	73,946	0
Ending Fund Balance	\$ (1,498)	367,948	369,446	26,002	263,936	\$ 237,934

See Accompanying Notes to the General Purpose Financial Statements

(Continued)

Pickaway County Educational Service Center
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2000

	Capital Projects Funds			Totals (Memorandum Only)		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Earnings on Investment	\$ 0	0	0	43,033	43,033	\$ 0
Extracurricular Activities	0	0	0	583	583	0
Miscellaneous	0	0	0	233,888	216,525	(17,363)
Restricted Grants-in-Aid	0	0	0	19,356	19,356	0
Revenue for/on Behalf of District	0	0	0	1,000	556	(444)
State Unrestricted Grants-in-Aid	0	0	0	1,362,161	1,362,161	0
State Restricted Grants-in-Aid	2,000	2,000	0	424,828	298,827	(126,001)
Federal Unrestricted Grants-in-Aid	0	0	0	100,500	87,584	(12,916)
Federal Restricted Grants-in-Aid	0	0	0	679,073	635,030	(44,043)
Total Revenue	2,000	2,000	0	2,864,422	2,663,655	(200,767)
Expenditures:						
Regular Instruction	0	0	0	439,294	197,676	241,618
Special Instruction	0	0	0	55,002	53,398	1,604
Adult/Continuing Instruction	0	0	0	73,077	67,857	5,220
Other Instruction	0	0	0	5,022	5,022	0
Support Services-Pupils	0	0	0	958,300	853,161	105,139
Support Services-Instructional Staff	0	0	0	796,350	707,483	88,867
Support Services-Board of Education	0	0	0	23,647	14,080	9,567
Support Services-Administration	0	0	0	476,618	182,459	294,159
Fiscal Services	0	0	0	85,617	76,678	8,939
Operation & Maint. Of Plant	0	0	0	340,552	328,297	12,255
Support Services-Transportation	0	0	0	100	32	68
Support Services-Central	0	0	0	175,818	133,107	42,711
Total Expenditures	0	0	0	3,429,397	2,619,250	810,147
Excess of Revenue Over (Under) Expenditures	2,000	2,000	0	(564,975)	44,405	609,380
Other Financing Sources (Uses):						
Transfers-In	0	0	0	2,000	2,000	0
Advances-In	0	0	0	0	86,670	86,670
Refund of Prior Years Expense	0	0	0	6,516	6,516	0
Transfers-Out	0	0	0	0	(2,000)	(2,000)
Advances-Out	0	0	0	0	(86,670)	(86,670)
Total Other Sources (Uses)	0	0	0	8,516	6,516	(2,000)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,000	2,000	0	(556,459)	50,921	607,380
Beginning Fund Balance	0	0	0	505,924	505,924	0
Prior Year Carry Over Encumbrances	0	0	0	77,039	77,039	0
Ending Fund Balance	\$ 2,000	2,000	0	26,504	633,884	\$ 607,380

See Accompanying Notes to the General Purpose Financial Statements

**Pickaway County Educational Service Center
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
 Proprietary Fund Type
 Year Ended June 30, 2000**

	Internal Service
Operating Revenues:	
Tuition	\$ 75,175
Total Operating Revenue	75,175
Operating Expenses:	
Personal Services	74,466
Employee Benefits	14,551
Purchased Services	27,213
Supplies and Materials	9,164
Other Expenses	13
Depreciation Expense	867
Total Operating Expenses	126,274
Operating Loss	(51,099)
Non-Operating Revenues:	
Restricted Grants in Aid	40,000
Total Non-Operating Revenues	40,000
Net Loss Before Operating Transfers	(11,099)
Beginning Retained Earnings	64,887
Retained Earnings at End of Year	\$ 53,788

See Accompanying Notes to the General Purpose Financial Statements

**Pickaway County Educational Service Center
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Year Ended June 30, 2000**

	<u>Internal Service</u>
Cash Flows from Operating Activities	
Operating Loss	\$ (51,099)
Depreciation	867
Adjustments to Reconcile Operating Gain to Net Cash provided by Operating Activities:	
Net Increase in Assets:	
Intergovernmental Receivable	5,098
Net Increase in Liabilities:	
Due to Other Funds	1,614
Intergovernmental Payable	(47)
Accounts Payable	(180)
Accrued Wages and Benefits	695
Net Adjustments	7,180
Net Cash Used in Operating Activities	(43,052)
Cash Flows from Noncapital Activities:	
Operating Grants from Intermediate Sources	40,000
Net Cash Provided by Noncapital Financing Sources	40,000
Cash Flows from Capital Financing Activities:	
Acquisition of Capital Assets	(665)
Net Cash Provided by Capital Financing Sources	(665)
Net Increase in Cash & Cash Equivalents	(3,717)
Cash and Cash Equivalents at Beginning of Year	63,735
Cash and Cash Equivalents at End of Year	\$ 60,018
See Accompanying Notes to the General Purpose Financial Statements	

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 1. Description of Center & Reporting Entity

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

Reporting Entity

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

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

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

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Center is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 1. Description of Center & Reporting Entity (continued)

Reporting Entity (continued)

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

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

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

Note 2. Summary of Significant Accounting Policies

A. Fund Accounting

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

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

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

Governmental Fund Types

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

A. Fund Accounting (continued)

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

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

Account Groups

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

General Fixed Assets Account Group - This account group is used to account for all of the Center's fixed assets.

General Long-Term Debt Account Group - This account group is used to account for all of the Center's long-term obligations.

B. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

B. Measurement Focus/Basis of Accounting (continued)

- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the Center is 60 days after year end.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

C. Budget and Budgetary Accounting

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

SF-5

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

C. Budget and Budgetary Accounting (continued)

Appropriations

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

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

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

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

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

D. Cash and Cash Equivalents

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

Investments are reported at cost except for investments in STAR Ohio which are reported at fair value. Fair value is based on quoted market prices.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents (continued)

The Center has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999-00. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the Center, all investment earnings accrue to the General Fund. Interest income earned in fiscal year 2000 totaled \$39,904.

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

E. Taxes

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

G. Fixed Assets

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

G. Fixed Assets (continued)

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

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, 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.

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

Entitlements:

General Fund
State Foundation Program

Special Revenue Funds
Educational Management Information Systems

Capital Projects Fund
School Net

Non-Reimbursable Grants:

<u>Special Revenue Funds</u>	
Instructional Media Center Grant	Bus Driver Safety Grant
Health/Speech Subsidy	Child Abuse Prevention Grant
TOPS Grant	Parent Mentor Program
Fingerprinting Grant	ABLE Grant

Non-Reimbursable Grants, continued:

General Fund
Medical Assistance Programs

<u>Special Revenue Funds</u>	
Eisenhower Grant	Library Grant
Social Work Grant	Goals 2000

Grants and entitlements amounted to approximately 89% of the Center's operating revenue during the 2000 fiscal year.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

I. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2000 the Center had no long-term interfund loans.

J. Compensated Absences

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

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

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

K. Long-Term Obligations

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

L. Interfund Transactions

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 2. Summary of Significant Accounting Policies (continued)

L. Interfund Transactions (continued)

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

M. Fund Balance Reserves

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

N. Memorandum Only - Total Columns

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

O. Accounts Payable

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

P. Use of Estimates in Preparation of Financial Statements

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

Note 3. Accountability and Compliance

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 4. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General Fund	Special Revenue	Capital Projects
GAAP Basis	\$ (102,712)	103,848	\$ 2,000
Increase (Decrease):			
Revenue Accruals	21,769	55,522	0
Expenditure Accruals	(36,214)	22,550	0
Encumbrances	(893)	(14,949)	0
Budget Basis	\$ (118,050)	166,971	\$ 2,000

Note 5. Cash and Cash Equivalents

State statutes classify monies held by the Center into three categories. Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Center Treasury, in commercial accounts payable or withdraw able on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 5. Cash and Cash Equivalents (continued)

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

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

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

Deposits: At year end, the carrying amount of the Center's deposits was \$126,735 and the bank balance was \$231,692. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$131,692 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 5. Cash and Cash Equivalents (continued)

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

	Unclassified	Carrying Amount	Fair Value
STAR Ohio	\$ 756,949	\$ 756,949	\$ 756,949

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 883,684	\$ 0
Investments:		
STAROhio	(756,949)	756,949
GASB Statement No. 3	<u>\$ 126,735</u>	<u>\$ 756,949</u>

Note 6. Receivables

Receivables at June 30, 2000 consisted of tuition and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of State programs, and the current guarantee of Federal funds. A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
CAFS Subsidy	\$ 16,434
GED Subsidy	1,524
Total General Fund	<u>17,958</u>
Special Revenue Fund:	
Social Work Grant	<u>21,602</u>
Grand Total	<u>\$ 39,560</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 7. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Furniture and Equipment	\$ 293,360	58,237	0	\$ 351,597

The following is a summary of the proprietary funds equipment at June 30, 2000:

Furniture and Equipment	\$ 9,016
Less: Accumulated Depreciation	(2,115)
Net Fixed Assets	\$ 6,901

Note 8. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District 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 a statutory maximum amount, by the SERS' Retirement Board. The Center's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$43,888, \$28,475, and \$19,477, respectively; 93.97 percent has been contributed for fiscal year 2000, and 100 percent for fiscal years 1999 and 1998. \$5,970 representing the unpaid contribution, including surcharge, for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 8. Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Center is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The Center's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$171,012, \$151,817, and \$132,341, respectively; nothing has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$171,012 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2000, no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 9. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the Center, this amount equaled \$97,721 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 9. Postemployment Benefits (continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the Center, this amount equaled \$22,883 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

Note 10. Compensated Absences

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

Vacation

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

Classified personnel accumulate vacation based on the following schedule:

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 10. Compensated Absences (continued)

Severance

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

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

Note 11. Risk Management

General Risk

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

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

The Center maintains replacement cost insurance on building contents in the amount of \$207,800.

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

Workers Compensation-Public Entity Risk Pool

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 11. Risk Management (continued)

Health Insurance

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

Note 12. Long Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance				Balance
	July 1, 1999	Additions	Deletions		June 30,2000
Intergovernmental Payable	\$ 3,134	3,134	3,134	\$	3,134
Compensated Absences Payable	111,335	145,810	111,335		145,810
Total	<u>\$ 114,469</u>	<u>148,944</u>	<u>114,469</u>	<u>\$</u>	<u>148,944</u>

Note 13. Interfund Transactions

At June 30, 2000, the Center had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 39,000	\$ 0
Special Revenue Funds	0	39,000
	<u>\$ 39,000</u>	<u>\$ 39,000</u>

Note 14. Jointly Governed Organizations

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 14. Jointly Governed Organizations (continued)

Central Ohio Special Education Regional Resource Center (COSERRC)

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

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

Pickaway Ross Joint Vocational School District

The Pickaway County Educational Service Center is a member of the Pickaway Ross Joint Vocational School District.

The Pickaway Ross Joint Vocational School District has an eleven-member board of education. The Center has three board members as representatives to the Pickaway Ross Joint Vocational School District board.

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

Note 15. Joint Venture

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

On June 1 of each year, the Center, as fiscal agent, will determine if there are excess costs or revenue. Payment by the participating districts for any excess operational cost is based on a formula using total district enrollment days. Should revenue exceed costs, the Center shall carry the balance forward to the new fiscal year or distribute to the participating districts according to the formula should the alternative school be abolished. No excess operational costs were levied for the year ending June 30, 2000.

Note 16. Contingencies

A. Grants

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 16. Contingencies (continued)

B. Litigation

The Center is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2000.

Note 17. State Funding

The Center is funded by the State Department of Education for the cost of Part (A) of their budget. This funding is provided from State resources.

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

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

Note 18. School Funding Decision/Subsequent Event

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the Center. During the fiscal year ended June 30, 2000, the Center received \$1,333,756 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
JUNE 30, 2000**

Note 18. School Funding Decision/Subsequent Event (continued)

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the Center is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

Note 19. Fund Deficits

Fund balances/retained earnings at June 30, 2000, included the following individual deficits:

Fund	Amount
Special Revenue Funds:	
Child Abuse Prevention	\$ <u>(1,000)</u>
Parent Mentors	\$ <u>(1,388)</u>
Social Work	\$ <u>(33,521)</u>

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

Pickaway County Educational Service Center
Pickaway County

Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
National Foundation on the Arts & the Humanities				
<i>Passed through the State Library of Ohio</i>				
Library Grant	NA	45.310	135,322	160,414
United States Department of Education				
<i>Passed through Ohio Department of Education</i>				
Adult and Community Education	AB-S1 2000	84.002	66,927	66,927
Goals 2000 - State & Local Education Systemic Improvement Grants	G2-S9 2000	84.276	175,000	155,738
Eisenhower Professional Development - Math Science	MS-S1 1999	84.281	70,000	35,000
Total United States Department of Education			311,927	257,665
United States Department of Health & Human Services				
<i>Passed through the County Board of MRDD</i>				
Medical Assistance Program	NA	93.778	87,584	87,584
<i>Passed through the County Board of Health & Human Services</i>				
Social Work Program	NA	93.XXX	187,781	171,977
Total United States Department of Health & Human Services			275,365	259,561
Total Federal Financial Assistance			\$722,614	\$677,640

NA - not available

See Notes to Schedule of Federal Awards Expenditures

**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY
JUNE 30, 2000**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*

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

We have audited the general-purpose financial statements of the Pickaway County Educational Service Center, Pickaway County, as of and for the year ended June 30, 2000, and have issued our report thereon dated November 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pickaway County Educational Service Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Center in a separate letter dated November 22, 2000.

Members of the Board

Pickaway County Educational Service Center

Circleville, Ohio 43113

Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Page 2

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

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.

November 22, 2000

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

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

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Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB circular A-133

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

Compliance

We have audited the compliance of the Pickaway County Educational Service Center with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2000. Pickaway County Educational Service Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Pickaway County Educational Service Center's management. Our responsibility is to express an opinion on Pickaway County Educational Service Center's compliance based on our audit.

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

In our opinion, Pickaway County Educational Service Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Pickaway County Educational Service Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

Members of the Board

Pickaway County Educational Service Center

Circleville, Ohio 43113

Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB circular A-133

Page 2

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over federal compliance that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to the management of the Center in a separate letter dated November 22, 2000.

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

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.

November 22, 2000

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

**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Library Grant, CFDA #45.310; Goals 2000, CFDA #84.276; & Social Work Program CFDA #93.XXX
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**PICKAWAY COUNTY EDUCATIONAL SERVICE CENTER
PICKAWAY COUNTY
JUNE 30, 2000**

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

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

PICKAWAY COUNTY EDUCATIONAL SERVICES CENTER

PICKAWAY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2000**